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UNITED STATES ECONOMIC AND TECHNICAL ASSISTANCE TO KOREA

by Dr. Raymond T. Moyer, Director
United States Operations Mission to Korea

Following is the text of an address made today by
Dr. Raymond T. Moyer, Director of the American Aid Program
in Korea (USOM), before the National Defense College:

I appreciate the honor which you have extended in inviting me to speak here this morning. I have heard fine things said concerning the National Defense College; and I have a high regard for its purposes. I am sure that this college will play a very significant role in providing informed and understanding leadership in Korea during the years ahead.

I welcome, also, this opportunity to present to you, who will be leaders in the service of your country, a statement setting forth some of the important facts concerning a subject currently of great importance to the achievement of goals which your country and mine share in this part of the world during these difficult days.

For, indeed, Korea and the United States do share many goals, hopes and responsibilities of vital importance in this area. It was in Korea that the United States made a historic decision to help oppose, by force, attempts through military aggression to extend Communist domination in the Far East. In the defense of free world interests which followed, Korea and the United States stood together with other members of the United Nations. Communist aggression was halted, but at the cost of heavy casualties and a large expenditure of money by both our countries. Today we continue to stand together in opposing Communist aggression and in seeking, in this part of the world, progress toward an international situation under which nations gradually can work out their national future in freedom and peace.

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-2-2- x x and peace.

Yet, it is evident that the accomplishment of this goal cannot be achieved easily. As one of its contributions to the continuing defense of the free world in this region, the Republic of Korea continues to maintain large military forces. In addition -- as the damage of war has gradually been repaired and stability established -- your country is coming to grips with the important task of its longer-range economic development. This development is aimed at providing a better living for its people and a level of economic activity through which, from its own efforts and resources, it can assume an increasing share of the cost of its military and development efforts.

It was evident from the beginning that the new Republic of Korea -- devastated by war, and with meager natural resources -- could not alone bear the economic burden entailed in the tremendous problems with which it was confronted. To help meet this burden, therefore, the United States has made available large amounts of economic and technical aid under the Mutual Security Program, constituting the single largest program of such assistance anywhere in the world.

One measure of the important role which this assistance has played in meeting Korea's economic problems is seen in the fact that, in 1959, a little more than one-third of the General Account of the national budget was financed with funds derived directly from the aid program. If there is added to this figure the revenues which the government collected from customs duties on U.S. aid goods, and from the foreign exchange tax on U.S. aid dollars, the funds derived directly or indirectly from the aid program in 1959 make up in total about 48 percent of this budget. A second fact indicating the extent of United States economic aid to Korea is that, over the past three years, American aid dollars have paid for about 83 percent of all the civilian goods imported into Korea.

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-3-3- x x into Korea.

With these few facts in the background, I now shall speak on the subject I have chosen this morning, United States Economic and Technical Assistance to Korea.

I. THE PROGRAM

As the first part of what I shall speak about let me now attempt to give a picture of what has been done with the large amounts of economic assistance that have been given to Korea, and of what this assistance has helped Korea to accomplish. From comments sometimes heard I get an impression that this program is not always well understood. Even after six months in Korea, I myself find it somewhat difficult to grasp its full extent, and presenting a simple clear picture of it is not easy. In attempting to do that this morning I shall take up, separately, the assistance given under each of the major forms which this aid takes.

1. Project Aid

To begin, I will speak first of that form of United States economic assistance aimed at helping Korea to rebuild the economic facilities damaged by the war and make a start in its longer range program of economic development. This is the portion of United States economic aid given to projects improving services and expanding production in fields such as transportation, electric power, telecommunications, industry, mining and agriculture.

A very important problem of Korea lies behind this form of aid. As a result of the war, Korea's railways, power facilities, highway bridges and industries were destroyed or badly damaged. The division of Korea into North and South, also, deprived South Korea of the electric power and the considerable concentration of industries which had been built under the Japanese in North Korea.

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-4-4- x x North Korea.

Accordingly, the end of the war left Korea without many of the means which it needed to carry on economic activities and manufacture the goods needed by its economy. Also, Korea is not rich in natural resources. As a consequence, economic and financial resources of the Republic of Korea have fallen far short of that required to support its military effort and development program.

If, therefore, Korea is gradually to become more capable of meeting the cost of its military and development efforts out of its own resources, it will have to broaden the economic base from which the Government can draw revenues, and build up a capacity to produce more of the goods it requires. Toward helping Korea make progress in the tremendous effort this requires approximately \$500 million has thus far been made available by the United States in these programs.

To illustrate what this money has been used for, let me give a few specific examples.

To improve the railways of Korea, 95 diesel locomotives have been supplied, nearly 300 bridges have been rehabilitated, and 170 miles of new rail lines have been constructed, serving new areas and new industries.

To help increase Korea's supply of electric power, which is essential to industry and all other forms of economic activity, aid funds in this program have financed the equipment and engineering services needed to add 127,000 kilowatts of new capacity. Tens of thousands of additional kilowatts will result from the use of funds set aside for the repair and extension of transmission lines, the addition of new plants, and the repair of others.

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-5-5- x x of others.

I have spoken of industry. Out of funds made available in this program, \$40 million have been set aside for some 240 medium and small industrial plants. These include plants in such important fields as cement, textiles, glass making, chemicals, pharmaceuticals, automobile tires, iron and steel products, food processing and ceramics. As of January 1 of this year, 101 of these plants had already been constructed; and plans now are so well advanced that it is expected construction will be underway on practically all of those remaining by the end of this year. It is estimated that, by the end of 1961, industries then in operation will contribute to the Korean economy goods valued at 90 billion hwan.

In the field of heavier industries, aid funds have financed the cost of the large modern urea fertilizer plant at Chungju, for which \$34 million have been used in financing the necessary equipment and engineering services. Construction of this plant has been completed, and it now is beginning to manufacture fertilizer. When in full operation its output will take care of between 25 and 30 percent of Korea's estimated need for nitrogenous fertilizer, for which nearly \$40 million in foreign exchange now is used annually.

Among other projects aided in this program, one for the improvement of telephone services has made it possible to increase civilian telephones in use from about 8,000 in 1953 to 67,100 at the end of 1959, or about eight times. Also, water supply systems have been rehabilitated and improved in 54 cities and towns in different parts of Korea. Toward the improvement of Korea's highways, 378 highway bridges have been restored, 280 miles of highways and streets have been paved, and 386 pieces of heavy equipment have been imported for construction purposes. For improvement of the fisheries industry, funds have been provided for the construction or purchase of 530 fishing vessels, and the introduction of modern gear and fishing methods have helped increase mackerel production from 27,000 metric tons in 1957 to approximately 60,000 metric tons during 1959.

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-6-6- x x during 1959.

It often happens, in their early stages, that programs such as these appear to lag, and people become impatient with the delays. The fact is that, during the initial stages, visible progress is slow. Behind the scenes, however, progress is being made in the necessary engineering, financial and management planning. This essential work is not always visible.

In such situations there usually comes a time when the summit of the period of planning and preparation has been passed, and visible progress becomes evident to an ever increasing extent. I believe that we now have reached this latter stage in many elements of the assistance program. From here on, more and more visible evidence of accomplishment should appear, and each year more and more of the projects financed with assistance in this program will make their full contribution to Korea's economy.

2. Non-Project Aid

Now, turning to the second major form of the economic assistance made available in this program, let me take up the assistance given in paying for the purchase abroad of the large volume of industrial raw materials and consumer goods that Korea needs to import but for which it does not have foreign exchange of its own. I have mentioned that, through the U.S. fiscal year 1959, assistance given to projects totaled approximately \$500 million. For the same period the assistance for the part of the program about which I now am going to speak, commonly referred to as Non-Project assistance, has been about twice that figure, or around \$1 billion.

A look at some specific items purchased with this aid will give a clearer picture of its importance to Korea.

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-7-7- x x to Korea.

One of these items is cotton, for which about 14 percent of the \$1 billion has been spent. Some of you remember vividly, as I do, the situation in Seoul after the Korean War. Shops were bare of goods; people kept warm with such clothing as could be found, sometimes with cast-off G.I. uniforms; many were without employment. Among the amazing changes that have occurred since that time is the increase which has taken place in the volume and variety of cloth, making it possible for people to be adequately clothed. Behind this change are the large number of textile mills which produce the cloth; but without the raw cotton, which takes dollars to import, the mills could not operate, and many people now employed would have no means of gaining a livelihood.

A second category of commodities for which these aid funds are spent includes the motor fuels and lubricating oils used by the busses, trucks, taxis and other motor vehicles which have increased so greatly in recent years. About 13 percent of the \$1 billion has been used for such items. Without an adequate supply of the fuels and lubricants these require, many vehicles would have to stop running. As a consequence the public would be greatly inconvenienced, economic activity would be handicapped, and many people would lose a means of employment.

A third large item is fertilizer, for which an average of about \$50 million in foreign exchange has been required annually in recent years, using about 27 percent of the funds in this part of the program. Through a use of this fertilizer the farmers of Korea have been enabled to increase the production of rice to above pre-war levels. This has provided not only enough rice for Korea's own use but a surplus for export as well.

Another category of these commodities consists of machinery and spare parts which Korea's rapidly growing industry needs to replace worn-out equipment. Under this category, also, plant owners sometimes purchase equipment to enlarge their facilities, and occasionally new plants also are equipped in this way. Through 1959 a total of \$124 million was made available for such purposes, representing about 13 percent of the total non-project aid.

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-8-8- x x non-project aid.

3. Counterpart Funds

An important feature of these aid programs, developed under the Marshall Plan aid in Europe, is the "counterpart system". Under this arrangement, those who receive commodities purchased with U.S. aid dollars pay for them in the currency of the country. This money -- hwan -- in the case of Korea -- is then deposited in what is called the Counterpart Account, and is used to benefit the economy further in projects agreed upon by the host country and the U.S.. You might be interested in some of the more important specific uses to which these funds are put.

The largest single item benefitting from these funds is the military budget. Over recent years between 40 and 50 percent of all counterpart funds derived from the commodities mentioned -- plus the counterpart funds derived from surplus agricultural commodities imported under what commonly is referred to as the P.L. 480 Program -- have been used for this purpose.

Counterpart funds also have been used for many other purposes; such as:

- To finance the local cost of constructing the urea fertilizer plant, and the large bridge over the Han River.
- To help finance the cost of the country-wide reforestation program, highlighted by the ceremonies on March 21, that promises to be of such great importance to the economy of Korea.
- To assist in constructing 498 separate irrigation projects, which have provided controlled supplies of water to half a million acres.
- To construct nearly 2,400 classrooms for schools throughout Korea.

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-9-9- x x throughout Korea.

- To meet the local costs of many of projects improving railways, port facilities, power plants and highways, for which assistance also has been given in dollars to purchase machinery, equipment and supplies that had to be imported.

4. Technical Cooperation

The forms of assistance I have mentioned thus far involved financial aid, in dollars or in counterpart funds derived from dollar aid, or both. At this point I want to refer to a somewhat different element in United States assistance to Korea, involving technical rather than financial aid, and which, we believe, will in the long run, prove of great value. This is the aid given for demonstration and training, commonly referred to as "technical cooperation." Its purpose is to help Korea develop the technical skills and management experience it needs to carry out its responsibilities for the economic and social development of Korea.

Some specific items will illustrate how the money for this part of the program is being used.

For example, between 1955 and 1959 a total of about 1,400 persons have gone abroad for observation and training, largely to the United States but also to other countries, including countries of Asia that offer some special experience from which Korea might profit.

In another kind of project, a contract with an American University provides assistance to strengthen the Colleges of Engineering, Medicine, Agriculture and Public Administration of Seoul National University.

In another project, aid is being given to Korea's effort to develop an Agriculture Extension Service throughout the Republic of Korea, to demonstrate improved farming practices and train farmers in their use. An important element in its activities is the development of 4-H Clubs for the rural youth of Korea, which now boast a membership of around 200,000 future
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-10-10- x x 200,000 future

farmers and farm wives, learning new farm and home practices and the principles of democracy in action.

With the help of another American University, the Republic of Korea is strengthening the work of its Economic Development Council, through which it will do its longer-range development planning.

These activities in technical cooperation illustrate what is being done in this part of the assistance program, but they represent only a small part of the whole effort.

This, then, concludes the part of my talk presenting some of the details of what is being done with United States assistance in these programs, and of what this assistance is helping Korea to accomplish.

To summarize, this aid has played a major role in helping the Republic of Korea in the following ways:

1. To recover from the damage and destruction of war.
2. To achieve reasonable economic and financial stability.
3. To make a beginning in longer-range programs of economic and social development.
4. To bring benefits to the people: directly, through improvements such as in irrigation, school buildings and better roads; and indirectly, by creating overall economic conditions under which it is possible for people, with their own efforts, to help themselves.

II. PRINCIPLES UNDERLYING COOPERATION IN THESE PROGRAMS

Now, I suggest a look at several important fundamental points in the arrangements and understanding under which this aid from the United States is given.

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The most fundamental characteristic of these aid programs is that they are based on cooperation between the United States and the host country, entered into freely by both sides. Various programs of economic and technical assistance have been conducted by the United States Government now for nearly two decades. In all these programs, the twin themes of cooperation and mutuality have been present from the beginning.

Resting on that basis, as these programs do, nothing is more important to their success than that there be clear understanding and agreement with respect to the basis on which the interested members cooperate. Furthermore, being a cooperative venture, this basis must be satisfactory to the country making use of the aid, otherwise it will not undertake effectively and enthusiastically the actions necessary if the intended purposes are to be achieved.

On the other hand, the basis also must be acceptable to the country giving the aid, else its government and people will not be prepared to make the sacrifices involved in providing the money. As a practical matter, unless there is mutual agreement on fundamentals in the cooperation, combined with mutual confidence and trust, it will be difficult on a day-to-day basis to harmonize views on the individual questions that inevitably arise in planning and carrying out the program, resulting in delays.

And so, I now turn to some of the principles, of fundamental importance, which the United States applies in making available assistance in programs such as this one in Korea.

1. Cooperation for Agreed Objectives

One of these principles, applicable in all countries where United States gives such assistance, is that the nature and amount of its aid must be related to an achievement of important national objectives in which both countries have a deep and strong interest, and for the achievement of which they agree to cooperate.

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-12-12- x x to cooperate.

The national interests of any two countries are seldom identical, and cases exist in which the area of mutual interest is so restricted that aid can be considered for only limited purposes, or not at all. In other cases, as in Korea, there is a wide area of agreement in the interests and objectives in which it is possible to unite. Where such an area of agreement is present there exists a firm and solid basis for cooperation, and for assistance to the extent that there is a need for it.

In its broader aspects this basis is found in our mutual desire to stem the tide of communist expansion, and to insure that countries shall have the opportunity, in freedom and peace, to develop in ways consistent with the genius of their own cultures. In seeking, here in Korea, to achieve this broad objective we share, also, an interest in certain specific objectives to which the aid is related. These include:

1. To maintain a sound economic base, making it possible for Korea to continue its military effort without damaging economic and financial consequences.

2. To create conditions improving the well-being of the Korean people, in order to provide a healthy internal situation supporting the Government's military defense effort and economic development.

3. To make progress in economic development so that Korea can meet more of its economic and financial needs out of its own efforts and resources, and become progressively less dependent on outside aid.

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-13-13- x x outside aid.

The converse of the principle presented here is that United States aid cannot be used for purposes other than those on which the countries agree. Accordingly, specific proposals for United States assistance must be examined strictly from the point of view of what is necessary and will most effectively carry out the agreed purposes. For example, it would not be proper to use aid funds to satisfy the desires of any particular person or group exerting pressure to receive such assistance, having primarily in mind personal profit or political advantage. The only acceptable criterion is this: What is sound for Korea and will most effectively help achieve the agreed objectives?

In this connection, the question sometimes arises as to what motives lie behind the aid which the United States has given in these programs. There are some who suggest that this is primarily out of a humanitarian desire to help others improve their living conditions. Behind these programs there is, indeed, an element of humanitarianism.

During the last several decades, the American people, through such organizations as private foundations, missionary groups and the Red Cross have responded often with generous assistance in meeting natural disasters. They also have helped institute programs of health and education in almost every country of the world. Moreover, I am convinced that without this interest in the welfare of other people, which is deeply seated in the American people, the American government could not get the support for these programs which the American people have given for so long.

Yet, for the most part, governments tax their people only for purposes which it believes will serve the national interest. This is true of the Republic of Korea, and it is true also of the United States. The United States offers assistance in these programs believing that they serve important national interests of the United States; and Korea welcomes the assistance because of its belief that this will help advance important interests of Korea. Happily these interests include important elements on which we can unite, and this fact provides a basis on which cooperation and assistance are possible. (more)

-14-14- x x are possible.

As in all cases where two parties cooperate in achieving a common purpose, both sides benefit. By putting together the efforts and resources available to both, more will be achieved than could be gained by either side using its own efforts and resources alone.

2. Host Country Responsibility

A second important principle of American aid is that United States decisions on the nature and amount of its aid will take into account the extent to which the host country takes action on matters within its control that are necessary if the aid is to be used effectively, and on matters which the country could do on its own part toward achieving the agreed objectives to which the aid is related.

It is reasonable to expect, I think, that a host country will assume this responsibility. In doing so it gives concrete evidence of its serious interest in achieving the objectives on which the cooperation is based. Also, we might look at the question from the American side of the picture. The United States has no magic means through which to acquire the money it makes available for its aid programs. These funds are appropriated by the United States Congress out of revenues paid in taxes by the American people.

With respect to taxes, Americans are no different from people anywhere else; they do not like to pay them. Moreover, in a number of countries, as in Korea, the United States has not asked for repayment of any of the funds for the extensive assistance I have described. In such circumstances not only does it appear reasonable that the host country will itself do all which it can in its own behalf. Unless it does so, effective achievement of aid objectives becomes impossible at all.

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-15-15- x x at all.

In saying this I want to make mention of some of the significant steps which Korea has already taken in this connection. In particular, I would like to pay tribute to actions taken by the Korean Government that have brought about the significant financial improvements which Korea has achieved during the past several years. Domestic revenues, for example, have increased from 179 billion hwan in 1957 to 249 billion hwan in 1959. Over the same three-year period, also, the gap in Korea's balance of payments has narrowed from \$371 million in 1957 to about \$220 million in 1959.

An even more striking accomplishment, perhaps, has been the financial stabilization achieved during the past several years. A month or two ago, when discussions were taking place between our two governments on the subject of exchange rates, attention was focused on the rise which had occurred in the wholesale price index, amounting to approximately 30 percent over the four year period since 1955.

What is remarkable is that the increase was held to so small a figure. An enormous success was achieved. This can be better appreciated when it is remembered that, for the years prior to 1955, there was a rise in this price index averaging about 60 percent each year. While the large volume of aid goods imported during this period was an essential factor in achieving this success, the results obtained would have been quite impossible without the sound policies and vigorous efforts of the Korean Government in its stabilization program.

It might be appropriate, at this point, to refer briefly to the exchange rate problem. This is a question which inevitably arises in any country where, as in Korea, inflation is a constant threat because expenditures for military and other purposes far exceed the revenues collected. In such situations it is difficult to prevent damaging price rises. This has happened in many countries; and it has happened in Korea.

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-16-16- x x in Korea.

As they rise, the prices of commodities produced within the country quickly get out of line with prices of the same commodities produced abroad. Unless the exchange rate is adjusted accordingly, similar goods can be imported for less than they can be produced domestically; and the price of types of commodities which the country might export, calculated at a low official exchange rate, is so high that they cannot be sold on the world market.

A practical problem arises for the United States, when exchange rates are out of adjustment, in situations as in Korea where the United States pays in dollars for the goods and services purchased by its military forces stationed in the country. When the official exchange rate is seriously out of line, the United States pays a substantially larger amount in dollars for these goods and services than would be required if the exchange rate were at a realistic figure. On this point, I might mention that there is a strong feeling, in both the Executive and Legislative Branches of the United States Government, that it is not reasonable to ask this of the United States which, at the same time, is making available grant aid in such large amounts with nothing required financially in return.

For these various reasons the question of exchange rates has inevitably arisen in Korea, and it has become necessary from time to time to make a change in the rate, not just to eliminate inequities but, of even greater importance, to serve the best interests of the Korean economy.

As the responsible officials of your government well recognize, continuing vigilance and effort are required to insure continuing progress in directions where so much has already been accomplished.

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-17-17- x x been accomplished.

Impressive gains have been made in the revenues collected in taxation by the government, but these still are far from meeting the total cost of Korea's military and civilian effort. Although great progress has been made in reducing the balance of payments deficit, foreign exchange earnings still are far from enough to import the commodities which Korea needs.

The success achieved in Korea's stabilization program over the past several years represents a significant achievement, but continued attention to the serious inflationary pressures still present will be necessary if the gains achieved by what has already been done are to be maintained.

Continuing effort also will be needed to capitalize on the excellent beginning made toward creating conditions favorable for private investment, through the legislation recently enacted and the investment guarantee arrangement subsequently agreed upon. As now is widely understood, private investment, which combines capital with the best technical know-how, can make a very important contribution to Korea's economic development. Aggressive action following up the steps already taken should help substantially to bring to Korea the benefit to its development efforts which this source of investment capital can provide.

A problem on which Korea has as yet made relatively little progress is in its export trade. Whereas the volume of imports has declined markedly during the past several years, exports have not increased appreciably. While longer experience will be necessary before Korea can know which of its export commodities enjoy a special advantage in the world market, success in expanding exports will require vigorous and serious efforts to sell abroad what is produced competitively in excess of its own requirements.

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-18-18- x x own requirements.

Another important matter is the effective utilization of the Government's own financial resources. These, rather than aid, are the most important resource available to Korea. Under Communism, governments employ harsh measures to insure that the country's resources are used for purposes it deems most important. Under democratic forms of government such measures are not tolerated. Yet every country must strive constantly to insure that its limited domestic revenues and its foreign exchange are used only for highest priority purposes.

CONCLUSION

In conclusion let me say a word looking ahead. Many feel as I do that, from an economic point of view, Korea is now entering something of a new era. Aid has been reduced, but a great deal of economic activity has been restored and resources of many kinds are available for continuing progress. Progress already achieved encourages the expectation that significant new economic advances will be made in the years ahead.

In saying this, I am very much aware that Korea's economic and financial resources alone are not adequate to meet all the problems now confronting it. With steps to encourage private investment, it may reasonably be expected that an increasing portion of the outside funds needed for capital investment will come from that source. Loans under the Development Loan Fund also may be expected to be available for sound projects encouraging new growth.

President Eisenhower has repeatedly stressed the importance of continuing economic aid from the United States and so, I believe, has every candidate mentioned as a prominent possibility for President in the next election, whether Republican or Democrat. In his State of the Union message, presented to the Congress in January of this year, President Eisenhower had this to say:

"To remain secure and prosperous themselves, wealthy nations must extend the kind of cooperation to the less fortunate members that will inspire hope, confidence and progress.

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-19-19- x x and progress.

"If we grasp this opportunity to build an age of productive partnership between the less fortunate nations and those that have already achieved a high state of economic advancement, we will make brighter the outlook for a world order based upon security, freedom and peace. Otherwise, the outlook could be dark indeed. We face what may be a turning point in history, and we must act decisively."

He also said:

"America did not become great through softness and self-indulgence. Her miraculous progress and achievements flow from other qualities far more worthy and substantial-

- Adherence to principles and methods consonant with our religious philosophy
- A satisfaction in hard work
- The readiness to sacrifice for worthwhile causes
- The courage to meet every challenge to her progress
- The intellectual honesty and capacity to recognize the true path of her own best interests.

"To us and to every nation of the Free World, rich or poor, these qualities are necessary today as never before if we are to march together to greater security, prosperity and peace."

These expressions summarize much that is important in our cooperation between our two countries in the programs of economic and technical assistance in Korea, of which I have spoken. With sturdy qualities in the character of the people, and on the sound principle of effective action by Korea itself, supplemented by outside aid, I believe there lies ahead for Korea an economic future, increasingly hopeful.

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Speech by Prime Minister John M. Chang before
the Seoul Correspondents Club, February 23, 1961

Mr. Chairman and Members of the Seoul Correspondents Club,

I wish to thank you for your very kind invitation to speak here this evening. It is indeed a great honor and pleasure to be able to address an audience so keenly interested in what is going on in Korea as all of you are.

Six months have passed since the inauguration of the new Government in August last year. They have been momentous months both for the Government and the economy, and I feel that this is a good point to stop and re-examine some of the issues of major interest and significance during the period.

With this in mind I have therefore decided to present for you this evening a review of what I believe to be the more important happenings in our Government and economy since I assumed office in August 1960, as well as give you some indication of my Government's position on important current issues.

First of all, let us look briefly at the course of the Government.

The elections of July 29, 1960 resulted in an overwhelming majority for the Democratic Party - 179 seats out of 233 in our House of Representatives. This presumably offered every possibility for quick enactment of much-needed new and corrective legislation, passage of the Budget for 1961, and the start of an effective program to get us on our feet economically.

As you know, however, even before the election the seeds of factionalism were already present in the Party in the form of two major groupings generally labelled the 'Old Guard' and 'New' factions. They came to the surface at the time of my selection as Prime Minister and a scant two weeks after formation of the Government, forced the establishment of what to all intents was a coalition cabinet. An open split occurred in November when many of the 'Old Guard' faction members announced their withdrawal from the Democratic Party and the organization of the New

Democratic Party. The Government's strength was reduced to 127 seats. Although the split initially introduced problems in enacting essential legislation, the Government nonetheless welcomed the establishment of an organized Opposition as a sine qua non in the development of our democratic government.

The Democratic Party now has 129 seats in the House. This is a good working majority and I feel that the Government's position today is quite firm. The change last month to an all-Democratic Party cabinet, excepting two carry-over pure independents, may be taken as evidence of the confidence which we have for the future.

I should also like to say a few words about the parliamentary system which we adopted last summer for our national government. It is a system very new to Korea. The concept that the supreme governing power of the State lies in a popularly elected National Assembly to whom the Government is responsible, is in large measure in direct contradiction to our tradition of a single individual, equipped with strong - even dictatorial - powers at the head of the State. The latter idea has been a basic one in our culture for several centuries, and there are many who even today say that the type of responsibility embodied in the parliamentary system will not work here.

I do not agree with them, although assuredly there were times during these past six months when it must have appeared to many that more could have been accomplished, and quicker, with a popularly elected chief of state possessing relatively unrestricted executive power. However, to these persons I reply that the sacrifices of our youth during the April Revolution should not be forgotten so soon, nor must we ever lose sight of the reason for that Revolution. I am firmly convinced that our parliamentary system does work, and that it is serving well, and will continue to serve well, the purposes of democratic government for which it was adopted.

The past six months have been active ones in our foreign relations. One of the most significant actions was the start of talks with Japan in October, aimed at resolving the major outstanding questions between us, which must be agreed before normal diplomatic relations can be resumed.

My Government has felt that a rational approach to this most important problem of friendly relations and trade with our closest neighbor could produce tangible results within a moderately reasonable period of discussion.

Progress has been made; however, there has been a slowing down in the negotiations recently, and I feel that the Japanese side may be misinterpreting our stand. In this regard, I should like to make it very clear that we entered the talks in all sincerity, ready to discuss issues objectively and rationally, and this continues to be the position of my Government.

Both our countries will obviously benefit greatly from normalization of relations, especially in the field of trade. Moreover I wish to point out particularly to the Japanese side that once normalization is achieved there will be ample opportunities for mutually beneficial investment in Korea.

Regarding the varying opinions expressed here at home on the Japanese question, I believe we must be realistic in our consideration of this matter. It is already more than 15 years since Japanese control over Korea ended, and the world has moved ahead rapidly during this time. The period of political colonization is dead for all except the Communists. I am sure that in this age of the United Nations we have little to fear from Japan in this respect.

Fears of possible economic domination have also been voiced, but I am certain also that with sensible controls this can definitely be prevented. Moreover, we are looking for investments and trade from other countries, as is witnessed by the Cabinet's recent proposal to extend the provisions of the Foreign Investment Law to any country having normal diplomatic relations with us, and by the signing today of a Trade Pact with the Republic of the Philippines. Although following normalization, trade with Japan may be expected to increase, it cannot attain a monopoly hold over our economy.

I feel Korea stands to gain much more by looking at modern-day Japan from an objective viewpoint, rather than from the completely emotional position which characterized the dealings of the previous government. I trust that Japan will also look at modern-day Korea in this same light.

I should also like to mention several other important activities in the field of foreign relations. Last November, Korea and the Republic of the

Philippines signed a visa agreement designed to promote further friendly relations between our two countries. I have already noted the signing of a trade agreement with the Philippines which took place today in Manila. Another trade agreement is under negotiation with the Republic of China, and signing is expected soon. At the same time negotiations for a trade agreement are now being held with the Republic of Vietnam, and positive action will be taken in the immediate future for trade agreements with other free world countries.

Establishment of friendly relations with certain nations usually referred to as 'neutralist', and with the newly independent countries of Africa, likewise is a basic part of our revitalized foreign policy. We are planning to open five new diplomatic missions during this year covering Asia, South America, Africa and Europe. It is our intention also to participate actively in international political actions such as the Foreign Ministers' Conference held in Manila in January.

Let us turn now to the subject which is uppermost in everyone's mind here inside Korea, and undoubtedly in the minds of many outside, that is the state of our economy.

An extremely grave economic situation was inherited from the Rhee government, brought on in large measure by the unrealistic attitude toward the foreign exchange question, a generally negative and highly emotional approach to trade with Japan, and the extensive tax irregularities and corruption which characterized the period. One of the most urgent matters left facing the New Government was to find a solution for the almost disastrous unemployment situation. There was also the necessity to institute corrective measures to remedy the long-ignored deficit operations of our public utilities, railways, and other governmental or quasi-governmental corporations.

Between 1953 and 1960 foreign economic aid provided to us from all sources totalled approximately 1.9 thousand million dollars. Close to 600 million dollars of this was put into projects. Another 1.2 thousand million dollars consisted of sustaining commodities, while the remainder represents the value of relief supplies.

To say that important improvements were not achieved with this aid during the period would be to deny the obvious, and would serve no useful purpose. Reconstruction did occur, many new capital additions were made to our economy, and in the last few years a relative degree of economic stability was achieved.

Despite this great amount of help, however, the Rhee government continued to temporize and failed to carry out essential economic reforms. The basic problems thus remained, and the goal of economic viability was as remote as ever. Economic thinking during the period was geared, to all intents, to a belief that grant aid would go on forever.

The attitude of the New Government, on the contrary, is that we cannot keep on endlessly asking our friends for free assistance. Korea's economy must be gotten on its feet, and it is up to the Korean people, working together, to carry this out. The measures we must take may be painful but the time for temporizing is ended, and no matter how hard or distasteful the facts may be they will be faced.

It is necessary to point out, however, that for a very reasonable time, grant aid will still be required, that is until corrective actions in the economy have had time to take effect. This is also recognized by the United States Government, which is making substantial grant assistance available this year in conjunction with our plan.

In this same connection, I should like to refer to the joint discussions which were held in Washington in October 1960, and the mutually agreed plan of action which evolved therefrom. This included adoption of a unitary foreign exchange rate, an increase in public utility and rail transport rates, and an extensive program to provide work opportunities for the jobless and underemployed.

At the same time, arrangements were made for discussions to be held at a later date to bring aid procedures in Korea into conformity with applicable United States laws.

The Democratic Party even prior to the elections of last July advocated the establishment of a realistic exchange rate as one of the basic steps toward the achievement of economic viability.

Initially, in compiling the 1961 Budget last fall a rate of 1,000 hwan to one US dollar was employed rather than the then existing 650 to 1 rate. This was recognized at the time by the Government to be a temporary rate only, pending full study of the problem. Then on 1 February a new rate of 1,300 hwan to one US dollar was established, after careful consideration as to what exchange level would best serve the interests of the economy as a whole, and at the same time could reasonably be maintained. The 1300 to 1 rate does away with a variety of rates existing during the Rhee period, which offered all sorts of opportunities for irregularities and political pressures. It might almost be said that the elimination of these factors alone is sufficient to justify the change.

The benefits, however, are much more than this. For instance, the new rate allows us to compete favorably in world markets and expand exports, an absolute essential to the improvement of our balance-of-payments position and the reducing of our present dependence on foreign aid. I should also like to note an already important side effect, which is the making of many black market activities unprofitable.

There will be various adjustments in internal prices as a result of the rate change. But it must be remembered that many commodity imports before, were based upon auctioned foreign exchange, the rates for which ranged somewhere near the new rate.

Undue rises therefore are not expected, and any profiteering and speculation based on the rate change will not be tolerated, but will be met by the Government with all countermeans at its disposal.

Turning now to the question of adequate public utility and rail rates, in this case again the Rhee government failed to face reality. The power companies and the national railway have been operating at a loss for many years. Our economy cannot afford the luxury of what has been tantamount to nationally subsidized rail and power services. In other words, if we are to get our economy straightened out, we are going to have to pay for what we use.

As the first step in this direction rail freight rates were raised by 60% starting from 1 January. Likewise, the Government will shortly

submit proposed increases in electric power rates averaging 50%.

A major point in our discussions with the United States last October was a new aid agreement. Various exceptions in general aid procedures had been accorded the Republic of Korea in the past by the United States Government. The end of the Rhee period brought possibilities for an objective solution to our economic problems, and the United States asked us to discuss revision and consolidation of the several existing agreements to bring them into line with the provisions of the US Mutual Security Law.

I wish to say here that the new aid Agreement, which was signed on February eighth, was arrived at, on the basis of frank discussions between the two sides. The principal considerations were our present need for economic assistance, which absolutely no one can deny, and the fact that the United States Government is willing to furnish us with substantial aid, but in providing, it is bound by laws established by the United States Congress.

Since the signing, there have been criticisms by various groups in Korea, largely of provisions of the Agreement which permit United States representatives to review aid programs, operations and related records. This has been interpreted as infringing upon our national sovereignty.

I think the whole matter must be looked at from a very practical standpoint, and in the light that the concepts and actual practice of their democratic principles by the American people make infringement on the national sovereignty of another country completely abhorrent to them.

I feel in this respect also, that the new Agreement might better be considered as a statement of the terms of an equal partnership, into which the United States is putting a substantial amount of capital, and we, both capital and our labor. Certainly the rights of one partner are not infringed upon by the other partner's wanting to know how the partnership is progressing.

Probably the most serious economic problem faced by the new Government is extensive unemployment and underemployment. Fortright measures to cope with these have been worked out based upon a large-scale public works program which will commence next month.

However, the entire financing of a fully adequate program is beyond the present capabilities of the Government. Therefore, this matter was also discussed with the United States Government last October, and supplemental support for the program was received with the promise of ten million dollars worth of surplus commodities to be used for wage payments in kind. For its own part, my Government has budgeted from its own funds the hwan equivalent of another some 28 million dollars. Owing to the time element, most of the financing of the program has had to be included in the Supplementary Budget now under consideration by the National Assembly. It will start as soon as that Budget is approved, presumably in the first part of March.

The major part of the public works program, which has been designated the National Construction Service, will emphasize small-scale projects -- reforestation, erosion control, irrigation, flood control, road building, and urban public works. The projects will provide work for hundreds of thousands of the unemployed, and large numbers of seasonably idle farm workers.

I wish to stress that one of the most important features of the program is, that it provides constructive work, not just relief. In other words, it is not a "handout" program, but one that furnishes real jobs. The benefit to the morale of the persons working on the projects is obvious.

I believe I am not exaggerating when I say that this is the most significant single undertaking in the economic field ever started in Korea. In stating this, I am not in any way disparaging the results of the efforts to restore our economy already expended by our own people with the very great help of the United States, and other nations of the Free World.

What I do mean, is that for the first time in our national history we are taking positive action to get everyone in this country to work.

Out of the program, will come, not only material benefits in improved national resources but - and I feel this is equally, if not even more important - there will come realization on the part of all our citizens that they are participating together as a nation in a single, vast, community effort to make a better tomorrow for all of us.

In this spirit we shall move forward, steadily and surely, until the attainment of economic independence is finally won and we can face the future confidently and on our own.

In conclusion, I should like to say something about our national defense.

The April Revolution had an important impact upon our Armed Forces. During the latter part of the Rhee government many members of the Armed Forces were concerned over the mounting economic and political pressures on their families. The concern of a large number, who favored the Democratic Party, undoubtedly was heightened by being deprived themselves on election day, March 15, 1960, of the right to vote as they personally saw fit. As a result, by mid-March 1960, the morale of the Armed Forces had reached a low.

The April Revolution and the establishment of the new Government brought them also new hope and a new spirit. Since then, training programs have been conducted steadily in this new spirit. Additionally, the fire power of the Army and the Marine Corps has been increased, more vessels have been added to our Naval Forces, and we have an effective, combat-ready Air Force equipped with modern jets.

Today the morale of our Armed Forces is at the highest point it has been since the Korean War. All branches of service are now at peak condition, fully ready to defend our nation against any attack by the Communists.

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For Korea, this is a time for courage. That our people have courage was demonstrated ten years ago during the Korean War. Our students demonstrated it again last April.

But the present calls not only for courage to fight Communism. It calls also for the courage to face economic facts squarely, to accept austerity, and to work with unceasing determination until our goal of economic independence is finally attained.

It will not be an easy course, but I feel certain that our people have that courage, that they will meet the challenge, and that when the story is told later, it will be one of full success.

- End -

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I. Political Affairs

1. Major News Item - International

LIVING STANDARDS OF KOREAN STUDENTS IN U.S. (TA 3/30 FM)

Washington D.C. -- About 90% of the 4,000-odd Korean students in the U.S. are working their way through school, either part time or full time. According to information furnished by Korean students here, about 60% of the total number of Korean students are working full time (8 or more hours a day), while 30% are employed part-time. This trend among Korean students to work their way through school became noteworthy since the April Revolution. This situation, therefore, is forcing many Korean students to stay longer in the U.S. until they complete their education. Employment available for these Korean students ranges from positions of writers, to taxi driver to clerks of law firms.

A minority of Korean students are studying under a generous scholarship, while many are seriously considering to make the US their permanent home. On the average two to three out of ten Korean students in the U.S. seem to be planning to stay in the U.S. after completing their education. But the Korean diplomatic officials here say that an increasingly large number of Korean students are returning home. They warn against a sweeping generalization, pointing out that many Korean students came to the US in 1954 without finishing a college course in Korea, and therefore they will have to stay for a considerable time in the U.S. to complete their education here.

Of the Korean students who have been staying in the U.S. after finishing their education here, those who majored in natural sciences outnumber social science majors percentagewise. The reason for this is that natural science majors are anxious to receive practical training here and also they find better employment opportunities than social science majors.

Since most of the Korean students in the U.S. are of marriageable age, the problem of marriage is of considerable concern to them. Extremely few Korean students have found their better halves here in the U.S. among native Americans, and most of them intend to make the U.S. their permanent home. Marriage seems to be a serious hindrance to their study. For example, a couple who have been married for one and half a years found it so hard to make ends meet that the husband is working as a taxi driver, while his wife is staying at home with her child. Even though she can easily find a job, she prefers to stay at home with her child, because a baby-sitter will cost her as much as her wages. The husband, in the meantime, gets up at seven in the morning, and returns home at nine in the evening to slumber in bed until dawn.

Another married Korean student with two children had been supporting his family working as a writer. So much of his time has been taken up by his job that he has been delaying his education, until he can send his children to Korea so that he may continue his studies. In fact, he has been in the U.S. for eight years.

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A more happy picture of married Korean students in the U.S. may be drawn around Mr. O Ki-Chang, who is studying for his Ph.D. in international law at Georgetown College. This 32 year old student came to the US following the Korean armistice after working as an interpreter at Panmunjom. Married three years ago, he has a daughter. Even though he is studying with \$2,000 a year plus a tuition fellowship, he finds it hard to make a living for his family without receiving extra research expenses, while his wife is helping with more than ten hours of outside work each week. According to Mr. O, he must have at least \$6,000 a year to make ends meet. Fortunately, he is coming back to Korea this year after submitting his thesis for a Ph.D. (SET/Cha)

TIMING OF KOREAN QUESTION ON US AGENDA UNPREDICTABLE (TA 3/30 PM)

UN Hq. -- It still remains uncertain as to when the present UN General Assembly session will take up the Korean problem because the Political Committee is bogged down on the first of the five items on its agenda-- the U.S. proposal for a UN plan on the independence and economic development in Africa. The Korean Ambassador to the UN Im Chang-Yong, in the meantime, is known to be striving for an early debate on the Korean issue through his behind-the-scenes activities with various delegates to the UN. Ambassador IM thinks that there is a 75% chance for a debate on the Korean issue at the UN.

The prevailing opinion here, even though there has been no official agreement, is that the UN General Assembly will recess leaving some of the cold war problems for the fall session.

Many delegates are urging the Political Committee to speed up its debates. If the African issue is resolved within a week, there are prospects that the Korean issue may be taken up by the General Assembly before it goes into recess. Ambassador IM, in the meantime, met Wednesday with the U.S. Ambassador to the UN, Mr. STEVENSON, to exchange informal views on the possibility of an early debate on the Korean issue. Mr. STEVENSON is expected to inform Ambassador IM within a few days of the US stand on the matter.

Many delegates, on the other hand, say that no constructive solution will be found on the Korean issue, unless, as has not happened in the past, both sides adopt substantially the same stand over the issue. They show little enthusiasm for debating the Korean issue at the present session of the UN General Assembly. (SET/Cha)

NEW JAPANESE PROPOSAL ON TREATMENT OF KOREAN RESIDENTS EXPLORED (TA 3/31 AM)

Tokyo -- Japanese delegates to an unofficial conference on the legal status of Korean residents, held at the Kayu Kaikan building in Tokyo Thursday morning, explained their stand on the issue as follows:

PE BACKGROUND NOTE #2

CENTRAL GOVERNMENT BUDGETING IN KOREA

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February 15, 1961

I. INTRODUCTION

The purpose of this paper is to outline the ROK Government budgetary procedure and structure and to provide basic data on the CY 1961 budget, as passed by the National Assembly in late December 1960.

II. BUDGETARY PURPOSE

In brief, the ROKG budget is a forecast of anticipated revenues and the planned allocation of these revenues over a given period of time-- usually a fiscal year. The budget provides the central government, as well as the various subsidiary bureaus and agencies of government, with a device for formulating immediate and long-range policy; for allocating scarce resources among alternate needs; and for coordination of the various activities of government. In addition, as implementation takes place, the budget provides a benchmark for measuring progress. Through the budgetary process, control is exercised over the orderly expenditure of government funds.

III. BUDGETARY CYCLE

The Korean budgetary process calls for months of detailed planning and preparation, prior to the submission of the annual budget to the National Assembly.

The statutory requirement for preparation and submission of the budget is found in Article 15 of the ROK Fiscal Law, Number 217, dated September 24, 1951 which requires all heads of central agencies and ministries to submit detailed estimates of revenues and expenditures to the Minister of Finance by May 31 of the year preceding. Among cabinet ministers, the Minister of Finance becomes the chief architect of the national budget. Within the Ministry of Finance, the Budget Bureau is the administrative office responsible for monitoring and coordinating all budgetary activities.

Budget Preparation--Executive

In practice, the Ministry of Finance, in late March or early April, transmits to the appropriate agencies of the ROKG a request for preliminary

budgetary estimates. Within each ministry or agency, the development of budgetary estimates is usually coordinated by the Chief of the General Affairs Section who operates under the direction of the Parliamentary Vice Minister or his equivalent.

In the initial preparation of budget estimates, each ministry or agency is guided by general guidelines previously developed through participation of the several Ministers in the policy-making decisions of the State Council. The State Council thus exercises both executive and legislative responsibilities.

After receiving the preliminary submissions of the respective ministries and agencies, the Budget Bureau of the Ministry of Finance prepares a preliminary budget for transmission to the State Council. The Minister of Finance is required to submit by mid-July of the year preceding, an estimated consolidated budget to the State Council for its review and approval. While not as detailed as the final budget that will eventually be developed, the document submitted at this time shows proposed expenditures at least by major item.

It is at this juncture that the State Council, with all ministers participating, formulates the basic principles on which the final budget will be constructed. The budgets of the various ministries are discussed, the magnitude of the total budget is decided, and the adjustment of the various ministerial budgets within the total is accommodated. In a "statement of principles" resulting from these State Council deliberations, the magnitude and emphasis of the final budget are articulated.

The Minister of Finance is charged with the responsibility for screening the initial budget submissions of each ministry in the light of the basic principles approved by the State Council. During June and early July the Director of the Budget Bureau of the Ministry of Finance conducts hearings and screens each ministry or agency budget. As a result of these screenings, each budget is "costed" and adjustments are made between the various parts of each budget, within the limits set by the State Council. This is a period intense activity for the Budget Bureau.

Article 91 of the present ROK Constitution requires that the finalized budget must be submitted to the first session of the National Assembly, which meets each year on September 1. Thus, the Budget Bureau in the Ministry of Finance must prepare by September 1 the final budget, in detailed breakdown, for a second review by the State Council, and subsequent submission to the National Assembly.

Budget Review--Legislative

In his annual budget message to the National Assembly, the Prime Minister states the policies that his administration will follow in the coming year, and transmits a budget in keeping with these basic policy decisions. Immediately following, the Minister of Finance delivers a statement which explains in further detail the rationale of the budget and requests approval of the National Assembly.

Upon receipt of the budget proposal, the National Assembly appoints a number of standing committees which examine the budget in detail along functional lines (agriculture, banking, health and education, etc.). These committees are empowered to conduct an "inspection of the national administration" by means of formal hearings at which time cabinet ministers and other senior ministerial officials are asked, under oath, to explain and justify the budgetary submission of their particular ministry.

After the standing committees have completed their investigations, the total budget is submitted to the "Budget and Settlement Committee" of the Assembly which is composed of three members of each of the standing committees participating in the "inspection" exercise. This all-powerful Settlement Committee, made up of the best parliamentarians and most influential members of the National Assembly, finalizes the budget, which is then submitted to the Plenary Session of the National Assembly for approval.

The "National Assembly Procedures Act" requires Plenary Session approval of the budget by November 30. Upon passage by the National Assembly, the budget is submitted to the House of Councilors which must within twenty days complete any hearings and agree on any recommended revisions of the budget.

The National Assembly is not bound to accept revisions made by the House of Councilors. Should disagreement develop, the will of the Assembly prevails. The ROK Constitution provides that the National Assembly must make a final decision on the national budget prior to the beginning of the fiscal year (January 1). The budget as finally adopted by the National Assembly is then submitted to the State Council for executive approval of any increases recommended by the National Assembly. The ROK Constitution further provides that the National Assembly cannot increase the amount of any line item in the administration's budget, nor may it add any new item without the consent of the State Council.

After the State Council has passed on any revisions recommended by the National Assembly, the budget is signed by the President and promulgated.

IV. BUDGET EXECUTION OR IMPLEMENTATION

The ROK Government Fiscal Code provides that, upon approval and promulgation of the budget, the Minister of Finance will apportion the budget among the several spending agencies in order to execute (implement) the budget as adopted. Although the Fiscal Code requires that the Finance Minister apportion the whole of the budget at one time, a proviso is included in the Code which permits him to apportion the budget on a monthly or quarterly basis, provided that such action has the approval of the State Council and is necessary for "orderly treasury management." In practice each spending agency is authorized to obligate funds as approved in the budget on a monthly or quarterly basis in order that expenditures may be made in coordination with the "flow" of revenues into the ROKG treasury. Apportionment constitutes authority to obligate. Funding and disbursement are separate actions and take place only as revenues become available.

The Fiscal Code further provides that, an item both approved by the National Assembly and apportioned by the Minister of Finance, may be carried over into the next fiscal year for expenditure, provided the

spending agency or ministry has entered into an actual expenditure agreement (called obligation or "directives of grant") prior to December 31. If the item has not been liquidated by February 28 of the ensuing fiscal year, the spending agency may request further carryover authority from the Ministry of Finance.

Technically, the budgetary process permits carryover of cash expenditures only through January 31. Bookkeeping transfers not involving cash expenditures may be expended through February 28. In both cases this applies only to prior year items that have reached the obligations stage prior to December 31.

In brief, ROKG budgetary procedures require that a particular budget item must go through the following stages: (1) apportionment; (2) execution (implementation); (3) obligation; (4) funding; and (5) expenditure or liquidation. The practice of permitting a carryover to the budget year of prior year items which have not reached the expenditure or liquidation stage complicates the budgeting process in that budgeted expenditures for a particular fiscal year may be less than "authorized" expenditures for the same period.

With respect to the counterpart portion of the budget, ROKG practice has been to consider apportionment action as taking place upon release of counterpart funds by the Combined Economic Board. Thus, the spending ministries or agencies are not authorized to obligate counterpart funds until after such funds have been released by CES. Although this practice is considered as "extra-legal" in terms of the ROKG Fiscal Code, it has been used as a means of limiting the expenditure of counterpart funds to the generation of such funds through the aid program. Also, the State Council has been inclined to treat the counterpart program submitted by MOR and MOF as somewhat sacrosanct, and not subject to uninhibited State Council examination.

V. SPECIAL PROVISIONS IN ROKG BUDGETARY PROCEDURES

In order to interpret the final ROK national budget for FY 1961, approved by the National Assembly on December 31, 1960, certain

terminology needs clarification or definition:

- a. Fiscal Year
The ROKG budgetary regulations provide for a normal fiscal year of 12 months (January through December), plus two extra months in the ensuing fiscal year during which time the accounts are kept "open" for the liquidation of prior-year obligations.
- b. Overdrafts:
Overdrafts, or borrowings from the Bank of Korea as a source of funds for financing various governmental activities, are permitted by ROK Fiscal Law (Chapter I, Article 4 of the Finance Law of September 1951). In the implementation of these regulations, two types of overdrafts are permitted:
 - 1. Temporary overdrafts: A temporary means of deficit financing whereby the Ministry of Finance is permitted to "overdraw" the accounts of the ROKG in the Bank of Korea, with the proviso that repayment will be made within the current fiscal year (December 31).
 - 2. Permanent overdrafts: A means of deficit financing whereby the Ministry of Finance is permitted to "overdraw" the accounts of the ROKG in the Bank of Korea, without repayment having to be made within the same fiscal year.
- c. Carryover:
The ROKG fiscal law makes provision for carry-over into the next fiscal year of unexpended funds and of obligations authorized from prior-year budgets. These provisions include the carryover of obligations which may extend through more than two fiscal years. Thus, the books of FY 1960 are not closed until February 28, 1961 during which time certain revenues and interdepartmental transfers and expenditures are credited to FY 1960 funds.
- d. National Bonds:
These are bona fide bonds which are redeemable by the ROKG upon maturity. Present practice is to require that persons transacting official business with the ROKG, such as successful bidders for government construction contracts and grantees of government licenses and franchises, must purchase national bonds equivalent to a given percentage of the contract price or license fee. No forced purchase of these bonds by the Bank of Korea is involved.
- e. Industrial Reconstruction Bonds:
The FY 1961 budget calls for the "issuance" of industrial reconstruction bonds to the Bank of Korea. In reality these bonds represent a form of deficit financing in that the proceeds of the bond issue will be derived from the Bank of Korea creating a line of credit in the name of the Government.

- f. Counterpart: Generally used to include all aid-generated local currency available for use by the ROKG. More rigorously, it means local currency (Hwan) generated through the sale of ICA commodities other than Section 402 and PL 480 surplus agricultural commodities. Although legally owned by the ROKG, joint U.S.-host country concurrence is needed for any expenditure of these funds.
- g. Public Law 480: The Agricultural Trade Development and Assistance Act of 1954 authorized the distribution of US surplus agricultural commodities to needy nations friendly to the U.S. Commodities distributed under Title I are sold for local currency, while commodities distributed under Titles II and III are normally grants in kind and do not generate local currency deposits.
- h. Section 402: The mutual Security Act provides that a portion of the aid provided under the Act must be in the form of U.S. surplus agricultural commodities to be sold for local currency, which in turn is normally made available to the cooperating country on a grant basis.
- i. Military Budget Support: Refers to that portion of aid-generated local currency which is allocated to assist in meeting the military budget requirements of the host country.
- j. Trust Fund: That portion of counterpart funds which is reserved in a trust fund for designated U.S. expenses incurred in administering the aid program in the host country.
- k. Acquisition Costs: Acquisition costs represent a capitalization of project commodities brought in under the aid program for either government or private project sponsors. Private project sponsors are required to deposit a portion of the capitalized value upon arrival of the commodities. The balance is advanced as a loan which is liquidated over a period of years by the project sponsor. In the case of government projects, capitalization is accomplished by offsetting entries in both revenue and expenditure accounts.
- l. General Accounts: Domestic revenues collected by the Republic of Korea Government through taxes, customs duties and the sale of government bonds, and expenditures for civil government, defense, and economic reconstruction activities are handled through the "General Accounts."
- m. Special Accounts: The operating accounts of the various ROK Government monopoly enterprises, as well as revenues and expenditures arising from such governmental activities as management of vested properties, former imperial estate management, transportation, communications, etc. are handled through "Special Accounts."

- n. Capital Budget: Although the FY 1961 budget does not contain a separate capital budget as such, capital expenditures for investment and loan activities in various government enterprises and sectors of the economy are summarized in what is referred to as the Government Investment and Economic Development Program. Capital expenditures included in this Program are financed with aid-derived as well as domestic resources and are handled through general accounts and the various special accounts.
- o. Economic Reconstruction Budget and Economic Rehabilitation Account: That portion of the "capital budget" which is financed with aid resources is referred to as the Economic Reconstruction Budget. The Economic Rehabilitation Account acts as a control account for government project activities
- p. Budget Format: The budget submission of each ministry or spending agency must conform to the general pattern of segregating budgeted expenditures by: (1) Part; (2) Chapter; (3) Section; (4) Items; and (5) Sub-Item (object-class). See Table 6 which illustratively details the FY 1961 General Accounts Budget expenditures for the Ministry of Forestry and Agriculture.
- q. Transferability of Funds: National Assembly approval is required for the transfer of funds between parts, chapters, sections, and items of an approved budget (see Budget Format above). However, the head of a spending agency may transfer funds between sub-items of an approved budget with prior approval of the Ministry of Finance.

VI. STRUCTURE OF THE ROK BUDGET

The Korean national budget is basically a cash budget in that estimates of expected expenditures for the period (fiscal year) are matched against anticipated revenues from various sources. A cash budget is not an operating statement, but rather a prediction of "cash flows" anticipated and necessary for the discharge of planned expenditures. In the implementation of the budget, expenditures must be balanced against the flow of receipts from all sources of revenue.

The ROKG national budget can be broken down into two basic components; namely, the General Accounts Budget and the Special Accounts Budget. As passed by the National Assembly on December 31, 1960 the FY 1961 General Accounts Budget lists both anticipated revenues and expenditures at

Hwan 505.0 billion and the Special Accounts Budget lists anticipated revenues at Hwan 252.5 billion and anticipated expenditures at Hwan 247.0 billion. The total of these two component budgets cannot be considered as a "consolidated" budget because of revenue transfers between accounts in the two budgets. For the sake of clarity, the General Accounts Budget and the Special Accounts Budget will be analyzed separately. In addition, because of the magnitude of aid-generated revenue available as a means of financing activities in the General Accounts Budgets, the Counterpart portion will be analyzed separately.

VII. STRUCTURE OF THE GENERAL ACCOUNTS BUDGET

The General Accounts Budget includes such activities as the administrative functions of the various government ministries and agencies not engaged in revenue-producing enterprises; the collection of taxes and customs duties; and, national defense activities.

Revenue Sources in the FY 1961 General Accounts Budget

Table 1 shows the anticipated revenues in the FY 1961 General Accounts Budget. While domestic revenues are expected to total Hwan 260.6 billion, a portion of this amount represents either deficit financing or the transfer of funds from the Special Accounts Budget. For instance, the ROKG expects to operate its various monopoly enterprises (salt, ginseng, and tobacco) at a profit and to transfer the sum of Hwan 23.0 billion from the Special Accounts Budget to the General Accounts Budget to help finance regular expenditures. In addition, a total of Hwan 26.6 billion in deficit financing is budgeted as a revenue in the General Accounts Budget consisting of a temporary overdraft of Hwan 5.0 billion on the Bank of Korea and Hwan 21.6, to be realized from the "issuance" of Industrial Reconstruction Bonds to the Bank of Korea.

The balance of the revenues needed to finance budgeted expenditures in the General Accounts Budget is expected to be realized from counterpart revenues totalling Hwan 220.3 billion plus acquisition costs totalling Hwan 24.1 billion. Acquisition costs represent revenue in kind in the nature of ICA-financed goods and services furnished to the public sector.

This amount is exactly offset by expenditures in kind of Hwan 24.1 billion shown under General Accounts expenditures.

Expenditures in the FY 1961 General Accounts Budget

On the expenditure side, Table 1 shows the General Accounts Budget of Hwan 505.0 billion broken down between the Civil Government Budget, the Defense Budget, and the Economic Reconstruction Budget. The Civil Government Budget includes accounts for the various ROKG ministries and bureaus which carry on the civil governmental functions of a non-revenue producing nature and which rely upon the central government for their operating revenues to pay salaries, administrative expenses, etc. The Defense Budget, is handled as one of the major categories of the General Accounts Budget and is financed primarily from aid-generated revenues. The Economic Reconstruction Budget, financed completely from counterpart revenues, is in reality a part of the total government Investment and Economic Development Program which is financed from a combination of several revenue sources. Table 2 gives a breakdown of FY 1961 General Accounts Budget expenditures by sub-item (object class).

a. Civil Government Budget Expenditures

The major part of the expenditures in the Civil Government Budget totalling Hwan 254.8 billion will be used for such operational activities of the ROK Government as salaries, personnel expenditures, utilities, etc. In addition, the FY 1961 Civil Government Budget calls for a redemption of Hwan 10.5 billion in National Bonds, or Hwan 3.5 billion more than is budgeted for sale (revenue) during the same period. Industrial Reconstruction Bonds call for an expenditure of Hwan 21.5 billion, to be financed through an overdraft on the Bank of Korea. Although not shown separately under General Expenditures in Table 1, Hwan 71.7 billion or 36% of the total Civil Government Budget expenditures are designated as a part of the ROKG Investment and Economic Development Program. Total expenditures under this Program are shown in Table 10.

For illustrative purposes Table 3 gives a breakdown of Civil Government Budget expenditures by ministry and major government office. Ministry of Forestry and Agriculture expenditures are listed at Hwan 22.29 billion. This budgeted expenditure is further detailed in Table 6 which shows Parts, Chapters, and Sections of the FY 1961 General Accounts Budget of the Ministry of Forestry and Agriculture.

b. Defense Budget Expenditures

The ROK Government Defense Budget for FY 1961 as shown in Table 1 totals Hwan 165.6 billion. Only Hwan 5.8 billion of this amount will be derived from domestic revenue. The balance, or Hwan 159.8 billion, will come from aid-generated local currency resulting from the U.S. aid program in Korea. This is shown in Table 5. A breakdown of major Defense Budget expenditure items is shown in Table 4.

c. Economic Reconstruction Budget Expenditures:

The Economic Reconstruction Budget essentially covers aid funds used to finance projects in both the government and private sectors. Table 1 lists total budgetary expenditures for Economic Reconstruction of Hwan 84.6 billion including acquisition costs. This figure is precisely the difference between total aid-generated local currency of Hwan 244.4 billion and the Hwan 159.8 billion allocated to the Defense Budget. A major portion (excluding transfers to OSROK, Administrative Expenditures, and Reserves) of expenditures in the Economic Reconstruction Budget will be transferred to the Economic Rehabilitation Account to finance certain ROKG projects. Projects in the private sector are handled through loan fund accounts in such agencies as the Korean Reconstruction Bank and the Korean Agriculture Bank. The Government considers counterpart expenditures through the Economic Reconstruction Budget for government projects and for private projects, to be a part of the ROK Government Investment and Economic Development Program. In this total Investment and Economic Development Program are included not only counterpart transfers to the Economic Rehabilitation account, but also all investment-and development-type expenditures made through the General Accounts and the Special Accounts.

ROK Government investment-and-development-type expenditures for FY 1961 are expected to total more than Hwan 197 billion. A detailed breakdown of the source of these funds is given in Table 10. The Hwan 78.1 billion shown as "Aid Resources" differs from the figure of Hwan 84.6 billion shown in Table 1, by the sum of OSROK handling costs, administrative expenditures and reserves. Details of the Economic Reconstruction Budget are given in Tables 7, 8, and 9. Table 7 shows the breakdown of ROKG projects by agency totalling Hwan 49.9 billion. Table 8 then shows the details for the Ministry of Forestry and Agriculture totalling Hwan 11.1 billion. Finally, Table 9 shows the details of private projects financed through the Economic Reconstruction Budget which total Hwan 28.3 billion.

VIII. COUNTERPART FUNDS

A total of Hwan 218.4 billion in aid-generated local currency is expected to be collected during FY 1961 as a result of aid commodity imports into Korea. In addition, Hwan 1.9 billion is expected in Counterpart Loan Fund repayments. Including acquisition costs, this means that the Counterpart Budget for FY 1961 is expected to total Hwan 244.4 billion, as shown in Table 5.

Sources of "Counterpart" Revenue

Of the total "counterpart" revenue (excluding acquisition costs) for FY 1961, almost two-thirds is expected to be derived from the sale of ICA non-project funds through the Bank of Korea.

In additional Hwan 26.6 billion in revenues is expected to be realized from the sale of U.S. surplus agricultural commodities under Section 402 of the Mutual Security Act. The total Hwan bid for the purchase of Section 402 commodities is deposited to the account of the U.S. Government. These funds are then utilized exclusively for support of the ROK Defense Budget.

Additional "counterpart" estimated to total Hwan 24.5 billion is expected during FY 1961 through the "transfer" of U.S.-owned local currency proceeds from the sale of U.S. surplus agricultural commodities

under the provisions of Title I of Public Law 480. During FY 1961 it is expected that customs duties collected on aid-goods imports will total Hwan 24.6 billion. Beginning in FY 1961 customs duties are deposited to the counterpart account.

In addition to the above major sources of counterpart revenues during FY 1961, a total of Hwan 1.9 billion is expected from the forfeiture of security funds deposited in the Bank of Korea against the opening of sub-authorizations, and an additional Hwan 1.9 billion is expected from repayments into the Counterpart Loan Fund account against prior-year advances.

Counterpart Expenditures

Nearly three-fourths of the total counterpart expenditures (excluding acquisition costs) for FY 1961 will be used for support of the ROK Military forces. Hwan 159.8 billion will be transferred directly to the ROK Government Defense Budget and will account for 96.5% of total military expenditures.

The preponderance of the balance of counterpart funds will be allocated through the Economic Reconstruction Budget for government projects and for private projects as noted above. Table 10 shows by project and as between government and private activity, the approved FY 1961 counterpart project program, together with authorized expenditures from regular ROKG funds for the same purposes.

Status of Counterpart Projects in FY 1961 Budget

Through the Economic Reconstruction Budget, counterpart funds are used to finance projects in both the government and private sector. Many of these projects extend over more than one fiscal year and hence represent a continuing "claim" on counterpart funds. The degree of firmness of such claims depends upon the budgetary status of a particular project.

Project Agreements normally detail the total amount of counterpart funds which will be needed during the life of the project. However, only the amount needed during the budgetary period is normally included in the budget for a particular fiscal year. As the project progresses, budgeted

funds are released (apportioned) by CEB action. In the case of Government projects, CEB counterpart releases are transferred by MOF to the Economic Rehabilitation Account from which expenditure must be additionally authorized by the Ministry of Finance. In the case of private projects, CEB counterpart releases give MOF authority to transfer funds directly to the project accounts in the Korean Reconstruction Bank or other spending agency. Once counterpart funds for private projects have been transferred to the spending agencies, no further action is required by the MOF.

The total potential "claim" on counterpart funds at any one time includes not only the budgeted amount for the fiscal year, but also the sum of prior CEB releases which have not been withdrawn from the Counterpart Deposit Account by MOF, plus unexpended balances in the Economic Rehabilitation Account for ROKG projects.

Table 11 outlines in detail, by area of activity and type of project, counterpart projects in both the government and private sector and shows the relative degree of "firmness" of claims on counterpart for each project.

IX. STRUCTURE OF THE SPECIAL ACCOUNTS BUDGET

The FY 1961 Special Accounts Budget is made up of a group of twelve special accounts which are used as control accounts for various ROK Government activities. Special Accounts are used for government activities of a revenue-producing nature, as well as for quasi-government activities which are not easily accommodated in the General Accounts Budget.

Table 12 lists the twelve accounts included in the Special Accounts Budget for FY 1961 together with estimated revenues and expenditures for each account. As passed by the National Assembly, the Special Accounts Budget lists anticipated revenues at Hwan 252.5 billion and anticipated expenditures at Hwan 247.0 billion, giving a budgeted surplus of Hwan 5.5 billion.

a. Monopoly Enterprises Special Account

The ROK Government operates a number of revenue-producing enterprises which sell commodities either for export or for consumption on the domestic market. The three major monopoly enterprises are tobacco, ginseng, and salt. During FY 1961 it is expected that only the tobacco monopoly

will operate at a profit. In total, the Monopoly Enterprises Special Account is expected to show a profit of Hwan 23.0 billion which is to be transferred to the General Accounts Budget as a budgeted revenue. Summary details are shown in Table 13.

b. Grain Management Special Account

The Grain Management Special Account is used as a control account for ROK Government activities in the agricultural sector. Loans to the Korean Agriculture Bank are handled through this account. In addition, the annual rice lien program, and other related agricultural activities of the ROK Government are controlled through this account. Although the volume of revenues during FY 1961 is expected to reach Hwan 49.2 billion, expenditures are expected to reach nearly the same level. Summary details are shown in Table 14.

c. Ministry of Transportation Special Account

The Ministry of Transportation has management responsibility for the Korean National Railway and for the management of ROK Government-owned hotels. These two major sources of revenue are expected to yield a total of Hwan 60.3 billion during FY 1961. Maintenance and operational expenses are expected to total Hwan 60.1 billion, leaving a small budgeted surplus in this special account. Summary details are shown in Table 15.

d. Ministry of Communications Special Account

Postal, telephone and telegraph receipts by the ROK Government are expected to total Hwan 27.7 billion during FY 1961. Expenditures for the operation and maintenance of these Government controlled facilities are expected to exceed Hwan 32.2 billion, thus leaving a deficit of Hwan 4.5 billion. Summary details are shown in Table 16. Excluded from these revenues and expenditures are activities carried on by the Ministry of Communications in implementing a loan of \$3.5 million from the Development Loan Fund.

Tables 17 through 24 give a summary breakdown of revenues and expenditures in each of the other eight accounts included in the ROKG Special Accounts Budget for FY 1961.

X. NOTE ON FIRST SUPPLEMENTAL BUDGET FOR FY 1961

As of this writing the first supplemental budget for FY 1961 has been submitted to the National Assembly. Summary data pertaining to this budget are shown in Table 25. The budget, which represents a net addition to the FY 1961 budget, is shown to be balanced at Hwan 104.1 billion. Most of the additional revenue is projected to come from aid-generated local currency. Deficit spending is projected through an increase in the issuance of Industrial Reconstruction Bonds amounting to Hwan 13.6 billion. The National Construction Service Program which represents an expenditure of Hwan 40.0 billion will be financed in part from revenue in kind in the form of PL 480 Title II commodities valued at Hwan 13.0 billion. The Program will be handled through a new account within the Special Accounts Budget.

Daniel J. James
Office of Program and Economic Policy
USOM/Korea

February 15, 1961

Table 1
Republic of Korea
FY 1961 General Accounts Budget

(In billions of Hwan)

| | <u>Revenue</u> | <u>FY 1961</u> |
|--|----------------|----------------|
| A. Domestic Revenue | | <u>260.6</u> |
| 1. Taxes | | <u>181.7</u> |
| (a) Domestic Taxes | | 135.9 |
| Income Tax | 19.3 | |
| Corporation Tax | 10.1 | |
| Business Tax | 12.1 | |
| Inheritance Tax | .3 | |
| Mining Tax | .1 | |
| Travel Tax | 3.6 | |
| Registration Tax | 3.6 | |
| Reassessment Tax | .3 | |
| Education Tax | 11.9 | |
| Automobile Tax | 3.4 | |
| Liquor Tax | 15.0 | |
| Commodity Tax | 39.6 | |
| Restaurant Tax | 2.1 | |
| Electricity and Gas Tax | 3.9 | |
| Admission Tax | 2.6 | |
| Revenues transferred from previous years | 8.0 | |
| (b) Land Income Tax | | 12.1 |
| (c) Customs Taxes (non-aid imports) | | 33.7 |
| Import Duties | 23.3 | |
| Commodity Taxes | 10.4 | |
| 2. Monopoly Profits (Net) | | <u>23.0</u> |
| 3. Miscellaneous Revenues Other than Taxes | | <u>22.3</u> |
| Revenue Stamps | 4.3 | |
| Ministry Finance | 11.7 | |
| Ministry of Justice | 1.8 | |
| Ministry of Education | 2.4 | |
| Other | 2.1 | |
| 4. National Bonds | | <u>7.0</u> |
| 5. Industrial Reconstruction Bonds | | <u>21.6</u> |
| 6. Overdraft (temporary) | | <u>5.0</u> |
| B. Aid-Derived Receipts (Counterpart) | | <u>244.4</u> |
| 1. Sales of Commodities | | <u>220.3</u> |
| Saleables | 140.8 | |
| Section 402 | 26.6 | |
| PL 480 | 24.5 | |
| S/A Security | 1.9 | |
| Repayment Loan Account | 1.9 | |
| Customs Income | 24.6 | |
| 2. Acquisition Costs | | 24.1 |
| Government Projects | 14.7 | |
| Private Projects | 9.4 | |
| | <u>Total</u> | <u>505.0</u> |

| <u>Expenditure</u> | <u>FY 1961</u> |
|--------------------------------------|----------------|
| A. Civil Government Budget | <u>254.8</u> |
| 1. General Expenditures | <u>222.8</u> |
| Salaries | 65.7 |
| Other Personnel Expenditure | 16.9 |
| General Utilities Expenses | 21.1 |
| Annuities | 16.9 |
| Business Operations | 41.7 |
| Local Government Transfers | 41.0 |
| Special Expenses | 2.3 |
| Other Expenses | 16.2 |
| Contingency Fund | .8 |
| Other Transfers | .2 |
| 2. National Bonds | <u>10.5</u> |
| 3. Industrial Reconstruction Bonds | <u>21.5</u> |
| B. Defense Budget | <u>165.6</u> |
| C. Economic Reconstruction Budget | <u>84.6</u> |
| 1. Economic Rehabilitation Account | <u>49.9</u> |
| Government Project Costs | 33.1 |
| Government Project Acquisition Costs | 14.7 |
| Government Project Handling Charges | 2.1 |
| 2. Private Projects | <u>28.3</u> |
| Project Costs | 18.9 |
| Acquisition Costs | 9.4 |
| 3. Other Counterpart Transfers | <u>6.4</u> |
| Transfers to OSROK | 1.5 |
| Administrative Expenditures | 4.0 |
| Reserves | .9 |
| <u>Total</u> | <u>505.0</u> |

Table 2
Republic of Korea
FY 1961 General Accounts Budget Expenditures
by Object Class

(Excluding Economic Reconstruction Budget)

(In thousands of Hwan)

| | |
|--|-------------|
| 01. Salaries | 91,237,435 |
| 02. Wages | 7,066,136 |
| 03. Allowances | 11,536,762 |
| 04. Travel Expenses | 8,961,927 |
| 05. Clothing Expenses | 12,439,494 |
| 06. Food Expenses | 47,305,642 |
| 07. Transportation, Communications & Utilities Expenses | 16,257,016 |
| 08. Repair Expenses and Commissions | 6,650,009 |
| 09. Consumables & Printing Expenses | 19,534,095 |
| 10. Fixtures Expenses | 3,600,324 |
| 11. Facilities Expenses | 13,898,838 |
| 12. Grants and Subsidies | 104,240,145 |
| 13. Compensatory Payments | 19,919,214 |
| 14. Repayments and Charges | 12,676,223 |
| 15. Interest | 5,883,204 |
| 16. Meeting Expenses | 335,602 |
| 17. Special Expenses | 1,123,556 |
| 18. Information Expenses | 3,181,268 |
| 19. Reserve Fund | - |
| 20. Contributions | 1,341,725 |
| 21. Loans | 31,567,310 |
| 22. Foreign Currency Purchasing Fund | - |
| 23. Taxes | 813,139 |
| 24. Transfers | 160,000 |
| 31. Storage and Forwarding Expenses | - |

| | |
|---|--------------------|
| 32. Raw Materials | - |
| 33. Stored Goods Expenses | - |
| Contingency Fund | 778,036 |
| Total | 420,507,100 |
| Add: Economic Reconstruction Budget Expenditures | <u>84,533,892</u> |
| <u>Grand Total</u> | <u>505,040,992</u> |

Table 3
Republic of Korea

Breakdown of Expenditures by Agency in FY 1961
Civil Government Budget and Economic Reconstruction
Budget (Government Projects)

(In Billions of Hwan)

| | Number of Employees paid by Civil Government Budget | General Accounts Budget | Economic Recon- struction Budget (Gov't Projects) |
|-------------------------------------|---|-------------------------------|---|
| Office of President | 38 | .22 | - |
| Upper House | 58) Councilors 390) Staff | 1.14 | - |
| Lower House | 233) Representa- 931) Staff tives | 3.45 | - |
| Supreme Court | 2,318 | 3.26 | - |
| Board of Audit | 240 | .29 | - |
| State Council | 781 | 4.09 | 1.5 |
| Ministry of Foreign Affairs | 410 | 4.91 | |
| Ministry of Home Affairs | 37,150 | 47.03 | 12.7 |
| Ministry of Finance | 6,911 | 55.78 | 3.6 |
| Ministry of Justice | 4,251 | 6.26 | - |
| Ministry of Education | 4,032 | 65.67 | 6.0 |
| Ministry of Reconstruction | 92 | 1.06 | 1.2 |
| Ministry of Agriculture & Forestry | 2,269 | 22.29 | 11.1 |
| Ministry of Commerce & Industry | 237 | 5.33 | 7.5 |
| Ministry of Transportation | * | * | 4.1 |
| Ministry of Communication | * | * | .1 |
| Office of Marine Affairs | 1,368 | 5.95 | - |
| Ministry of Health & Social Affairs | 1,747 | 25.66 | 2.0 |
| Central Election Committee | 284 | .23 | - |
| Board of Atomic Energy | 149 | 1.63 | - |
| Contingency Fund | | .63 | - |
| | <u>TOTAL</u> | <u>254.8</u> | <u>49.9</u> |

* Included in Special Accounts Budget.

Table 4

Republic of Korea

FY 1961 Defense Budget Expenditures

(In Millions of Hwan)

| | |
|--------------------|----------------|
| Command Management | 3,202 |
| Pay and Allowances | 64,123 |
| Personal Services | 1,412 |
| Training | 3,187 |
| Food | 50,249 |
| Clothing | 11,164 |
| Logistics | 6,808 |
| Construction | 9,708 |
| Intelligence | 1,481 |
| Government Fees | 10,628 |
| Pensions | 999 |
| Reserve Activities | 976 |
| Other | 1,660 |
| TOTAL | <u>165,647</u> |

Table 5
Republic of Korea
Counterpart Budget
FY 1961

(In Billions of Hwan)

| <u>Revenue</u> | | |
|-----------------------------|-------|--------------|
| Total | | <u>244.4</u> |
| Non-Project Saleables (ICA) | 140.8 | |
| Section 402 | 26.6 | |
| PL 480 Title I | 24.5 | |
| S/A Security | 1.9 | |
| Repayment Loan Account | 1.9 | |
| Customs Duties | 24.6 | |
| Acquisition Costs | 24.1 | |
| Government Projects | 14.7 | |
| Private Projects | 9.4 | |

| <u>Expenditures</u> | | |
|--|-------|--------------|
| Total | | <u>244.4</u> |
| Economic Rehabilitation Account (Government Projects) | 33.1 | |
| Private Project Costs | 18.9 | |
| Government Project Handling Charges | 2.1 | |
| KAVA Handling Charges | 1.5 | |
| Military Budget Support | 159.8 | |
| Trust Fund and Administrative Costs | 4.0 | |
| Reserve | .9 | |
| Acquisition Costs | 24.1 | |
| Government Projects | 14.7 | |
| Private Projects | 9.4 | |

Table 6
Republic of Korea

FY 1961 General Accounts Budget Expenditures
by Ministry of Agriculture and Forestry

(Hwan units)

| | | |
|-----------------|--|-----------------------|
| <u>Part I.</u> | <u>General Administration Expenses</u> | <u>468,883,300</u> |
| Chapter I. | Administration Expenses | 468,883,300 |
| | Section 1. Main Office Operation Expenses | 98,850,900 |
| | 2. Statistical Research Expenses | 126,241,500 |
| | 3. Protection of Private Forests | 243,790,900 |
| <u>Part II.</u> | <u>Economic Administration Expenses</u> | <u>19,825,180,000</u> |
| Chapter I. | Management Expenses | 1,155,562,900 |
| | Section 1. Central Silk Inspection Station | 34,106,600 |
| | 2. Agricultural Products Inspection Station | 787,617,800 |
| | 3. Seoul Forest Station | 120,010,000 |
| | 4. Kang Nung Forest Station | 72,709,200 |
| | 5. Cheju Ranch | 81,013,800 |
| | 6. Pusan Livestock Quarantine Station | 60,105,500 |
| Chapter II. | Agricultural Administration Expenses | 11,661,641,400 |
| | Section 1. Expenses for Promotion of Agricultural Production & Rural Areas | 242,406,500 |
| | 2. Seed Improvement Expenses | 510,531,700 |
| | 3. Measures for Supply & Demand of Agricultural Production Materials | 10,033,775,300 |
| | 4. Expenses for Inspection of Pesticides | 8,273,600 |
| | 5. Sericulture Encouragement Expenses | 337,788,700 |
| | 6. Expenses for Development of Agricultural Organizations | 528,865,600 |
| Chapter III. | Expenses for Farmland Development | 5,061,301,800 |
| | Section 1. Expenses for Farmland Development Measures | 2,561,301,800 |
| | 2. Loans for Farmland Development | 2,500,000,000 |

| | | |
|------------------|---|----------------------|
| Chapter IV. | Forestry Administration Expenses | 919,661,300 |
| Section 1. | Expenses for Deforestation of National Forest & Disposal of Forest Products | 175,066,500 |
| 2. | Deforestation Expenses | 61,480,200 |
| 3. | Private Forest Expenses | 252,699,600 |
| 4. | Expenses for Encouragement of Special Forestry Production | 77,145,400 |
| 5. | Embankment Expenses | 337,286,600 |
| 6. | Expenses for Protection of Wild Birds & Beasts | 15,983,000 |
| Chapter V. | Livestock Administration Expenses | 1,027,012,600 |
| Section 1. | Expenses for Promotion of Livestock Production | 634,311,900 |
| 2. | Expenses for Livestock Disposal | 154,450,000 |
| 3. | Expenses for Veterinary Works | 238,250,700 |
| <u>Part III.</u> | <u>Institute of Agriculture</u> | <u>1,994,673,500</u> |
| Chapter I. | Administrative Office Expenses | 313,586,500 |
| Section 1. | Main Office Operation Expenses | 47,980,300 |
| 2. | Experiment Planning & Research Expenses | 47,980,700 |
| 3. | Seed Improvement Expenses | 55,403,600 |
| 4. | Agricultural Extension Expenses | 82,367,100 |
| 5. | Special Experiment Expenses | 60,645,800 |
| 6. | Expenses for Tentative Develop- ment of Idle Land | 20,000,000 |
| Chapter II. | Provincial Institute of Agriculture | 667,963,200 |
| Section 1. | Kyongkido Pprovincial Institute of Agriculture | 33,262,100 |
| 2. | Chungchong Puk-do Provincial Institute of Agriculture | 25,409,800 |
| 3. | Chungchong Nam-do Provincial Institute of Agriculture | 27,063,900 |
| 4. | Cholla Pukdo Provincial Institute of Agriculture | 25,372,700 |
| 5. | Cholla Namdo Provincial Institute of Agriculture | 28,021,200 |
| 6. | Kyongsang Pukdo Provincial Institute of Agriculture | 26,798,300 |

| | | |
|---|--|-----------------------|
| Section 7. | Kyongsang Namdo Provincial Institute of Agriculture | 27,985,800 |
| 8. | Kang Wondo Provincial Institute of Agriculture | 25,622,700 |
| 9. | Cheju Do Provincial Institute of Agriculture | 12,676,100 |
| 10. | Agriculture Extension Agents | 435,750,600 |
| Chapter III. Research & Experiment Expenses | | 1,013,123,800 |
| Section 1. | Agriculture Experiment Station (Main Office) | 159,395,600 |
| 2. | Ihri Agriculture Experiment Station | 55,777,600 |
| 3. | Mokpo Agriculture Experiment Station | 20,252,100 |
| 4. | Horticulture Experiment Station (Main Office) | 78,423,100 |
| 5. | Horticulture Experiment Station (Branch Office) | 70,231,700 |
| 6. | Sericulture Experiment Station | 59,143,200 |
| 7. | Forestry Experiment Station (Main Office) | 66,557,400 |
| 8. | Forestry Experiment Station (Branch Offices) | 18,369,800 |
| 9. | Forest Seeding Experiment Station | 45,921,200 |
| 10. | Livestock Experiment Station (Main Office) | 115,211,900 |
| 11. | Livestock Experiment Station (Branch Offices) | 144,928,900 |
| 12. | Livestock Sanitation Laboratory (Main Offices) | 92,233,700 |
| 13. | Livestock Sanitation Laboratory (Branch Offices) | 86,677,600 |
| Grand Total | | <u>22,288,736,800</u> |

Note: Within Sections each Item is sub-divided by Object-Class (Sub-Item) as illustrated in Table 2. For example, in the case of Part II, Chapter I, Section 5, Cheju Ranch, Items and Sub-Items are as follows: 01 Salaries 9,666,700, 2. Salaries of Government Employees 6,429,500, 3. Salaries of Laborers 3,237,300; 02 Wages 10,294,300, 1. Wages of Special Employees 3,024,000, 2. Wages of Temporary Employees 7,270,000; etc.

Table 7

Republic of Korea

FY 1961
Economic Reconstruction Budget Expenditures
Through the Economic Rehabilitation
Account for Government Projects
by Agency

(Hwan units)

| | <u>Domestic Wages</u> | <u>Acquisition Costs</u> | <u>Total</u> |
|--|---------------------------|------------------------------|-----------------------|
| Executive Office of the State Council | 515,137,100 | 995,500,000 | 1,510,637,100 |
| Ministry of Home Affairs | 10,621,360,800 | 2,088,800,000 | 12,710,160,800 |
| Ministry of Finance | 3,111,959,000 | 509,700,000 | 3,621,659,000 |
| Ministry of Justice | 0 | 0 | 0 |
| Ministry of Education | 2,740,733,700 | 3,310,510,000 | 6,050,784,700 |
| Ministry of Reconstruction | 647,315,100 | 544,400,000 | 1,191,715,100 |
| Ministry of Agriculture & Forestry | 10,433,354,800 | 654,429,000 | 11,087,783,800 |
| Ministry of Commerce & Industry | 4,846,595,800 | 2,626,408,000 | 7,473,003,800 |
| Ministry of Health & Social Affairs | 807,617,700 | 1,213,370,000 | 2,020,987,700 |
| Ministry of Transportation | 1,451,457,000 | 2,660,600,000 | 4,112,057,000 |
| Ministry of Communications | 10,500,000 | 130,000,000 | 140,500,000 |
| Total | <u>35,186,031,000</u> | <u>14,733,258,000</u> | <u>49,919,289,000</u> |

Table 8

FY 1961
Republic of Korea

Ministry of Agriculture and Forestry Economic
Reconstruction Budget Counterpart Expenditures Through
the Economic Rehabilitation Accounts

| <u>Project Title</u> | (Hwan units) | | |
|------------------------------------|---------------------------|------------------------------|-----------------------|
| | <u>Domestic Wages</u> | <u>Acquisition Costs</u> | <u>Total</u> |
| Crop Improvement | 30,086,500) | 38,120,000 | 332,886,700 |
| Crop Experiment | 264,680,200) | | |
| Agricultural Organizations | 45,191,600) | 26,192,000 | 76,271,300 |
| Agricultural Cooperatives | 4,887,700) | | |
| Irrigation Projects | 4,462,678,600 | 50,000,000 | 4,512,678,600 |
| Erosion Projects | 2,904,008,000) | 256,730,000 | 4,223,132,900 |
| Forestry Improvement | 1,062,394,900) | | |
| Livestock Improvement | 52,682,100) | 26,835,000 | 456,171,100 |
| Veterinary Projects | 159,064,000) | | |
| Livestock Improvement Experiment | 8,290,000) | | |
| Livestock Sanitation Experiment | 209,300,000) | | |
| Agricultural Extension | 800,232,500 | 196,340,000 | 996,572,500 |
| Water-use Extension | 129,665,100 | 0 | 129,665,100 |
| Rat Damage Prevention | 28,695,100 | 0 | 28,695,100 |
| Agricultural Study | 150,874,200 | 17,583,000 | 168,457,200 |
| Forestry Study | 29,129,500 | 0 | 29,129,500 |
| Soil Classification | 5,770,100 | 0 | 5,770,100 |
| Agricultural Machinery Improvement | 39,602,300 | 13,384,000 | 52,986,300 |
| Blight & Insect Damage Prevention | 46,122,400 | 16,610,000 | 62,732,400 |
| Soil Test | 0 | 0 | 0 |
| Sericulture | 0 | 0 | 0 |
| Farming Fund | 0 | 12,635,000 | 12,635,000 |
| Total | <u>10,433,354,800</u> | <u>654,429,000</u> | <u>11,087,783,800</u> |

Table 9
Republic of Korea

FY 1961 Economic Reconstruction Budget Expenditures
for Private Projects

(Hwan units)

| <u>Sector</u> | <u>Project Year</u> | <u>Project Number</u> | <u>Project Title</u> | <u>Wages</u> | <u>Acquisition Costs</u> | <u>Total</u> |
|---------------|---------------------|-----------------------|---|--------------|--------------------------|--------------|
| 10 | 1957 | 281 | Fishery Rehabilitation | 200,000 | 191,040 | 391,040 |
| | 59 | " | " | 146,625 | 174,225 | 320,850 |
| | 60 | " | " | 70,685 | 150,000 | 220,685 |
| | 61 | " | " | 583,000 | 0 | 583,000 |
| | 61 | " | (Fishery Operating Fund) | 200,000 | 0 | 200,000 |
| 20 | 1957 | 463 | Coal Mining Test | 8,000 | 0 | 8,000 |
| | 57 | 468 | Mining Development | 734,979 | 748,000 | 1,482,979 |
| | 58 | 489 | Coal Mining Development | 127,600 | 0 | 127,440 |
| | 59 | " | " | 224,440 | 45,000 | 269,440 |
| | 60 | " | " | 500,000 | 450,000 | 950,000 |
| | 60 | 490 | Metal Mining Development | 100,000 | 75,000 | 175,000 |
| | 56 | 220 | Yongwol & Danginri Power Station | 163,500 | 320,000 | 483,500 |
| | 57 | " | " | 198,400 | 400,000 | 599,360 |
| | 58 | " | " | 0 | 551,475 | 551,475 |
| | 60 | " | " | 0 | 150,000 | 150,000 |
| | 56 | 221 | Electric Distribution Facility Rehabilitation | 63,700 | 633,040 | 696,740 |
| | 58 | " | " | 534,800 | 174,900 | 709,700 |
| | 59 | " | " | 797,829 | 375,000 | 1,172,829 |
| | 60 | " | " | 1,178,832 | 750,000 | 1,928,832 |
| | 60 | " | " | 424,868 | 253,892 | 678,760 |
| | 56 | 223 | Yongwol Power Station | 0 | 0 | 0 |
| | 56 | 224 | Unam Power Station | 50,000 | 0 | 50,000 |
| | 56 | 225 | Hanback Mine Power Station | 0 | 0 | 0 |
| | 56 | 228 | Chongpyung Dam Rehabilitation | 192,000 | 0 | 192,000 |
| | 58 | 228 | " | 75,000 | 150,000 | 225,000 |
| | 59 | 228 | " | 221,100 | 375,000 | 596,100 |

| <u>Sector</u> | <u>Project Year</u> | <u>Project Number</u> | <u>Project Title</u> | <u>Wages</u> | <u>Acquisition Costs</u> | <u>Total</u> |
|---------------|---------------------|-----------------------|--|-------------------|--------------------------|-------------------|
| 20 | 1956 | 336 | Power Distribution Maintenance | 0 | 242,480 | 242,480 |
| | 58 | 501 | Kunsan Power Station | 300,000 | 75,000 | 375,000 |
| | 59 | " | " | 100,000 | 0 | 100,000 |
| | 59 | 230 | Power Operation Improvement | 10,275 | 0 | 10,275 |
| | 56 | 292 | Straw Pulp Plant | 684,668 | 368,000 | 1,052,668 |
| | 57 | " | " | 200,000 | 320,000 | 520,000 |
| | 57 | " | Daehan Paper Manufacture Plant | 189,000 | 0 | 189,000 |
| | 56 | 305 | Caustic Soda Plant | 202,513 | 240,000 | 442,513 |
| | 56 | 306 | " | 131,481 | 320,000 | 451,481 |
| | 57 | 444 | Building Materials Plant | 200,000 | 0 | 200,000 |
| | 57 | 455 | Small Scale Private Projects | 270,000 | 0 | 270,000 |
| | 58 | " | " | 312,500 | 195,787 | 508,287 |
| | 57 | 459 | Medium Scale Private Projects | 976,188 | 633,360 | 1,609,548 |
| | 58 | " | " | 900,000 | 370,000 | 1,270,000 |
| | 61 | 414 | Chungju Fertilizer Plant Operating Fund | 2,000,000 | 0 | 2,000,000 |
| | 59 | 472 | Operating Fund | 500,000 | 0 | 500,000 |
| 30 | 1957 | 423 | Coastal Vessel Improvement | 50,000 | 0 | 50,000 |
| | 60 | 283 | " | 0 | 283,000 | 283,000 |
| | 58 | 448 | Housing Construction | 0 | 130,350 | 130,350 |
| | 59 | 448 | " | 2,233,231 | 225,000 | 2,458,231 |
| | 60 | 448 | " | 2,000,000 | 0 | 2,000,000 |
| | 61 | " | DLF Support (Chungju Hydro Electric Power) | 500,000 | 0 | 500,000 |
| | 61 | " | 20,000 KW Diesel Power Station | 300,000 | 0 | 300,000 |
| Total | | | | <u>18,855,294</u> | <u>9,370,509</u> | <u>28,225,803</u> |

Table 10
Republic of Korea

Government Investment & Economic Development Program in FY 1961 Budget

(In millions of hwan)

| | Aid Resources | | | Domestic Resources | | | | | | | | | | FY 1961 Total |
|---|--|---|---------------|--------------------|---------------------------|-----------------|-------------------------|----------------------------|----------------------------|-------------------------------------|--------------------------|-----------------------------------|---------------|------------------|
| | Economic Rehabili- tation A/C Govt Proj | Economic Reconstruc- tion Budget Priv Proj | Sub- Total | General A/C | Vested Property A/C | Monopoly A/C | Transpor- tation A/C | Communi- cations A/C | Live In- surance A/C | Gov't employee pension A/C | Grain Manage- ment | Former Imper- ial Estate | Sub- Total | |
| <u>Agriculture and Forestry</u> | <u>11,716</u> | - | <u>11,716</u> | <u>19,168</u> | <u>6,500</u> | - | - | - | - | <u>5,510</u> | <u>4,000</u> | - | <u>35,178</u> | <u>46,894</u> |
| Irrigation | 4,513 | | 4,513 | 5,061 | 2,500 | | | | | | | | 7,561 | 12,074 |
| Embankment | 4,322 | | 4,322 | 337 | 4,000 | | | | | | | | 337 | 4,659 |
| Farming | | | | | | | | | | 5,510 | 4,000 | | 13,510 | 13,510 |
| Community Development | 629 | | 629 | 263 | | | | | | | | | 263 | 892 |
| Others | 2,252 | | 2,252 | 13,507 | | | | | | | | | 13,507 | 15,759 |
| <u>Fisheries</u> | <u>473</u> | <u>1,715</u> | <u>2,188</u> | <u>1,523</u> | - | - | - | - | - | - | - | - | <u>1,523</u> | <u>3,711</u> |
| <u>Mining</u> | <u>3,035</u> | <u>3,013</u> | <u>6,048</u> | <u>292</u> | - | - | - | - | - | - | - | - | <u>292</u> | <u>6,340</u> |
| <u>Manufacturing</u> | <u>502</u> | <u>4,656</u> | <u>5,158</u> | <u>3,111</u> | - | - | - | - | - | - | - | - | <u>3,111</u> | <u>8,269</u> |
| Fertilizer | | 2,000 | 2,000 | 2,839 | | | | | | | | | 2,839 | 4,839 |
| Major Industries | | 2,656 | 2,656 | | | | | | | | | | | 2,656 |
| Other Manufacturing | 502 | | 502 | 272 | | | | | | | | | 272 | 774 |
| <u>Medium & Small-Scale Enterprises</u> | - | <u>4,358</u> | <u>4,358</u> | <u>10,523</u> | - | - | - | - | - | - | - | - | <u>10,523</u> | <u>14,881</u> |
| Working Fund | | 500 | 500 | | | | | | | | | | | 500 |
| Capital Fund | | 3,858 | 3,858 | | | | | | | | | | | 3,858 |
| Export Encouragement | | | | 300 | | | | | | | | | 300 | 300 |
| Others | | | | 10,223 | | | | | | | | | 10,223 | 10,223 |
| <u>Electricity</u> | - | <u>9,562</u> | <u>9,562</u> | <u>19,125</u> | - | - | - | - | - | - | - | - | <u>19,125</u> | <u>28,687</u> |

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| | Aid Resources | | | Domestic Resources | | | | | | | | | Sub- Total | FY 1961 Total |
|------------------------------|--|---|---------------|--------------------|---------------------------|-----------------|-------------------------|----------------------------|----------------------------|-------------------------------------|--------------------------|-----------------------------------|---------------|------------------|
| | Economic Rehabili- tation A/C Govt Proj | Economic Reconstruc- tion Budget Priv Proj | Sub- Total | General i/C | Vested Property A/D | Monopoly A/C | Transpor- tation A/C | Communi- cations A/C | Life In- surance A/C | Gov't employee pension A/C | Grain Manage- ment | Former Imper- ial Estate | | |
| Education | 6,051 | - | 6,051 | 9,632 | - | - | - | - | - | - | - | - | 9,632 | 15,683 |
| Public Administration | 2,881 | - | 2,881 | 1,668 | - | - | - | - | - | - | 129 | 147 | 1,944 | 4,825 |
| Contributions | - | - | - | 1,342 | - | - | - | - | - | - | - | - | 1,342 | 1,342 |
| Rehab. of Typhoon Damages | | | | | | | | | | | | | | |
| TOTAL | 49,919 | 28,225 | 78,144 | 71,666 | 7,700 | 3,867 | 13,541 | 12,693 | 213 | 5,510 | 129 | 147 | 119,466 | 197,610 |

Table 11
 Republic of Korea
FY 1961 Economic Reconstruction Budget
Summary of Obligations, Budget and Carryovers
 (Excluding Acquisition Costs)

(In thousands of Hwan)

| Field of Activity | Outstanding ProAg Balances (1) | Authorized Unfunded Special Carryover (2) | FY'61 Current Budget | | | Funded "Automatic" Carryover | | Total Possible Claim on Cpt. Funds During FY'61 (2+5+6+7) |
|--|---|---|---|---|------------------------------|--|---------------------------------------|---|
| | | | Existing Pro. in FY'61 Budget (3) | Added Amounts in FY'61 Budget (4) | Total FY'61 Budget (5) | Not withdrawn from Cpt. A/C by MOF (6) | Balances in Econ. Rehab A/C (7) | |
| 1. <u>Agriculture, Forestry, & Fisheries</u> | <u>10,139,433</u> | <u>64,257</u> | <u>9,684,670</u> | <u>5,618,122</u> | <u>15,302,792</u> | <u>408,722</u> | <u>1,499,769</u> | <u>17,275,540</u> |
| Government Projects | (9,037,852) | (64,257) | (9,267,360) | (4,835,122) | (14,102,482) | (46,094) | (1,499,769) | (15,712,602) |
| Private Projects | (1,101,581) | (-) | (417,310) | (783,000) | (1,200,310) | (362,628) | (-) | (1,562,938) |
| (1) Agriculture & Forestry | 6,709,463 | 64,257 | 6,679,089 | 3,754,266 | 10,433,355 | 317,187 | 885,384 | 11,700,183 |
| Government Projects | (6,675,843) | (64,257) | (6,679,089) | (3,754,266) | (10,433,355) | (46,094) | (885,384) | (11,429,090) |
| Private Projects | (33,620) | (-) | (-) | (-) | (-) | (271,093) | (-) | (271,093) |
| (2) Fisheries | 1,229,970 | - | 535,427 | 1,035,949 | 1,571,376 | 91,535 | 35,395 | 1,698,306 |
| Government Projects | (162,009) | (-) | (118,117) | (252,949) | (371,066) | (-) | (35,395) | (406,461) |
| Private Projects | (1,067,961) | (-) | (417,310) | (783,000) | (1,200,310) | (91,535) | (-) | (1,291,845) |
| (3) Flood Control | 2,200,000 | - | 2,470,154 | 330,000 | 2,800,154 | - | 308,728 | 3,108,882 |
| Government Projects | (2,200,000) | (-) | (2,470,154) | (330,000) | (2,800,154) | (-) | (308,728) | (3,108,882) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| (4) Community Development | - | - | - | 497,907 | 497,907 | - | 270,262 | 768,169 |
| Government Projects | (-) | (-) | (-) | (497,907) | (497,907) | (-) | (270,262) | (768,169) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |

(In thousands of Hwan)

| Field of Activity | Outstanding | Authorized | FY'61 Current Budget | | | Funded "Automatic" Carryover | | Total |
|---------------------------------|-------------------|----------------|----------------------|------------------|-------------------|------------------------------|------------------|-------------------|
| | ProAg | Special | Existing Proags | Added Amounts in | Total | Not withdrawn from | Balances in | Possible Claim |
| | Balances | Carryover | in FY'61 Budget | FY'61 Budget | FY'61 Budget | Cpt. A/G by MOF | Econ.Rehab A/G | on Cpt. Funds |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | During FY'61 |
| | | | | | | | | (2+5+6+7) |
| 2. <u>Industry & Mining</u> | <u>19,959,202</u> | <u>586,481</u> | <u>12,162,692</u> | <u>5,545,860</u> | <u>17,708,552</u> | <u>1,566,840</u> | <u>1,137,199</u> | <u>20,999,072</u> |
| Government Projects | (2,473,991) | (586,481) | (1,780,019) | (2,556,860) | (4,336,879) | (254,854) | (1,137,199) | (6,315,413) |
| Private Projects | (17,485,211) | (-) | (10,382,673) | (2,989,000) | (13,371,673) | (1,311,986) | (-) | (14,683,659) |
| (1) Mining | 3,962,737 | 15,000 | 3,321,171 | - | 3,321,171 | 107,721 | 61,742 | 3,505,634 |
| Government Projects | (1,674,868) | (15,000) | (1,626,152) | (-) | (1,626,152) | (107,721) | (61,742) | (1,810,615) |
| Private Projects | (2,287,869) | (-) | (1,695,019) | (-) | (1,695,019) | (-) | (-) | (1,695,019) |
| (2) Industry | 8,596,635 | - | 4,421,805 | 2,445,860 | 6,867,665 | 1,088,936 | 1,022 | 7,957,623 |
| Government Projects | (67,578) | (-) | (44,455) | (256,860) | (301,315) | (3,376) | (1,022) | (305,713) |
| Private Projects | (8,529,057) | (-) | (4,377,350) | (2,189,000) | (6,566,350) | (1,085,560) | (-) | (7,651,910) |
| (3) Power | 6,668,285 | - | 4,310,304 | 800,000 | 5,110,304 | 226,426 | - | 5,336,730 |
| Government Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| Private Projects | (6,668,285) | (-) | (4,310,304) | (800,000) | (5,110,304) | (226,426) | (-) | (5,336,730) |
| (4) Waterworks Improvement | 606,060 | 571,481 | 98,912 | 2,300,000 | 2,398,912 | 143,757 | 241,342 | 3,355,492 |
| Government Projects | (606,060) | (571,481) | (98,912) | (2,300,000) | (2,398,912) | (143,757) | (241,342) | (3,355,492) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| (5) Communications | 125,485 | (-) | 10,500 | - | 10,500 | - | 833,093 | 843,593 |
| Government Projects | (125,485) | (-) | (10,500) | (-) | (10,500) | (-) | (833,093) | (843,593) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |

(In thousands of Hwan)

| Field of Activity | Outstanding Projg Balances (1) | Authorized Unfunded Special Carryover (2) | FY'61 Current Budget | | | Funded "Automatic" Carryover | | Total Possible Claim on Cpt. Funds During FY'61 (2+5+6+7) |
|--|---|---|---|---|------------------------------|--|---------------------------------------|---|
| | | | Existing Projgs in FY'61 Budget (3) | Added Amounts in FY'61 Budget (4) | Total FY'61 Budget (5) | Not withdrawn from Cpt. A/C by MOF (6) | Balances in Econ. Rehab A/C (7) | |
| | | | | | | | | |
| (2) Health & Sanitation | 509,772 | - | 227,501 | - | 227,501 | 118,011 | 116,641 | 462,153 |
| Government Projects | (509,772) | (-) | (227,501) | (-) | (227,501) | (118,011) | (116,641) | (462,153) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| 5. Education | <u>2,129,980</u> | <u>2,759</u> | <u>2,611,237</u> | <u>103,997</u> | <u>2,715,234</u> | <u>328,070</u> | <u>700,646</u> | <u>3,746,709</u> |
| Government Projects | (2,129,980) | (2,759) | (2,611,237) | (103,997) | (2,715,234) | (328,070) | (700,646) | (3,746,709) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| 6. Social Welfare & Housing | <u>7,735,760</u> | <u>17,156</u> | <u>4,464,847</u> | <u>-</u> | <u>4,464,847</u> | <u>763,339</u> | <u>247,255</u> | <u>5,192,597</u> |
| Government Projects | (363,005) | (17,156) | (231,616) | (-) | (231,616) | (125,000) | (247,255) | (621,027) |
| Private Projects | (7,372,755) | (-) | (4,233,231) | (-) | (4,233,231) | (638,339) | (-) | (4,871,570) |
| (1) Housing Construction | 7,503,846 | - | 4,253,206 | - | 4,253,206 | 638,339 | 23,270 | 4,914,515 |
| Government Projects | (131,091) | (-) | (19,975) | (-) | (19,975) | (-) | (23,270) | (43,245) |
| Private Projects | (7,372,755) | (-) | (4,233,231) | (-) | (4,233,231) | (638,339) | (-) | (4,871,570) |
| (2) Social Welfare | 231,914 | 17,156 | 211,641 | - | 211,641 | 125,000 | 223,985 | 577,702 |
| Government Projects | (231,914) | (17,156) | (211,641) | (-) | (211,641) | (125,000) | (223,985) | (577,702) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| 7. Statistics & Public Administration | <u>86,355</u> | <u>-</u> | <u>3,405</u> | <u>704,395</u> | <u>708,300</u> | <u>32,289</u> | <u>532,288</u> | <u>1,272,877</u> |
| Government Projects | (86,355) | (-) | (3,405) | (704,395) | (708,300) | (32,289) | (532,288) | (1,272,877) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| 8. Others | <u>1,142,756</u> | <u>118,937</u> | <u>219,733</u> | <u>441,408</u> | <u>661,141</u> | <u>1,032,000</u> | <u>70,560</u> | <u>1,832,638</u> |
| Government Projects | (1,142,756) | (118,937) | (219,733) | (441,408) | (661,141) | (1,032,000) | (70,560) | (1,832,638) |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |

(In thousands of Hwan.)

| Field of Activity | Outstanding | Authorized | FY'61 Current Budget | | | Funded "Automatic" Carryover | | Total |
|---|-------------------|----------------|----------------------|-------------------|-------------------|------------------------------|------------------|-------------------|
| | ProAg | Unfunded | Existing ProAgs | Added Amounts in | Total | Not withdrawn from | Balances in | Possible Claim |
| | Balances | Special | in FY'61 | FY'61 Budget | FY'61 Budget | Cpt. A/C by MOF | Econ.Rehab A/C | on Cpt. Funds |
| | | Carryover | Budget | | | | | During FY'61 |
| 9. <u>Contingency (Economic Rehabilitation A/C)</u> | - | - | - | 1,033,571 | 1,033,571 | - | - | 1,033,571 |
| Government Projects | (-) | (-) | ((-) | {1,033,571} | {1,033,571} | (-) | (-) | { - } |
| Private Projects | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| Add UNKRA Projects | | | | | 374,000 | | | |
| <u>Total</u> | <u>49,224,482</u> | <u>877,020</u> | <u>36,841,084</u> | <u>14,747,853</u> | <u>51,962,937</u> | <u>6,321,142</u> | <u>7,565,536</u> | <u>66,726,635</u> |
| Government Projects | (22,938,418) | (877,020) | (21,757,790) | (10,975,853) | (33,107,643) | (3,943,389) | (7,565,536) | (45,493,588) |
| Private Projects | (26,286,064) | (-) | (15,083,294) | (3,772,000) | (18,855,294) | (2,377,753) | (-) | (21,233,047) |

Notes: Amounts appearing in Project Agreements (Column 1) represent planning figures and do not constitute a firm "Claim" on counterpart.

While amounts appearing in Column 2 do not appear in the FY 1961 budget as passed by the National Assembly, they do represent a potential "claim" on counterpart in that the spending ministries concerned have processed the projects to the point the FY 1961 available funds will likely be used for their implementation.

Figures in Columns 3 and 4 represent amounts appearing in Project Agreements which have been rebudgeted in FY 1961 (Column 3) and amounts that have been newly added by the FY 1961 budget (Column 4).

Figures in Columns 6 and 7 represent amounts appearing in prior year budgets that have been previously released by CEB action but which have not been withdrawn from the Counterpart Collections Account by MOF (Column 6), or amounts which have been withdrawn by MOF but have not been expended from the Economic Rehabilitation Account for Government Projects (Column 7).

Table 12
Republic of Korea
FY 1961
Summary of Special Accounts

(In millions of Hwan)

| <u>Table</u> | <u>Revenue</u> | <u>Expenditure</u> | <u>Surplus or Deficit</u> | <u>Total Number of Employees</u> |
|---|----------------|--------------------|-------------------------------|--|
| 13 Monopoly Enterprises | 70,839 | 47,770 | +23,069.0 | 8,945 |
| 14 Grain Management | 49,239 | 49,228 | +10.8 | 1,349 |
| 15 Ministry of Transportation | 60,335 | 60,120 | +215.0 | 27,943 |
| 16 Ministry of Communications | 27,669 | 32,189 | -4,520.4 | 14,730 |
| 17 Government Foreign Exchange Control Account | 18,288 | 18,288 | - | - |
| 18 Medium and Small-Scale Industries Encouragement Fund | * | (10,000) | (-10,000.0) | - |
| 19 Vested Property | 9,461 | 9,458 | +3.1 | 383 |
| 20 Office of Supply | 6,242 | 7,729 | -1,487.7 | 580 |
| 21 Government Employees Pension | 6,406 | 8,243 | -1,836.0 | 63 |
| 22 Land Reform | 2,801 | 2,797 | +4.3 | 543 |
| 23 Former Imperial Estate | 709 | 707 | +1.5 | 192 |
| 24 Postal Life Insurance and Annuities | 522 | 521 | +1.0 | 123 |
| Total | 252,510 | 247,050 | +5,461.0 | 54,851 |

* Revenues for anticipated loan fund expected to be derived from fines and penalties. However, Hwan 10.0 billion is budgeted as an expenditure but fines and penalty revenues are not specifically designated as a matching revenue.

Table 13
 Republic of Korea
Monopoly Enterprises Special Account FY 1961
 (In millions of Hwan)

| <u>Revenue</u> | |
|---------------------------|----------------|
| Total | <u>70,839</u> |
| Tobacco | 59,464 |
| Salt | 11,167 |
| Ginseng | 208 |
| <u>Expenditure</u> | |
| Total | <u>47,770*</u> |
| Tobacco Monopoly Expenses | 35,864 |
| Salt Monopoly Expenses | 11,167 |
| Ginseng Monopoly Expenses | 808 |

* Excluding transfer of Hwan 23.0 billion to General Account, and Hwan 69.0 million transferred to Pension Account.

Table 14
 Republic of Korea
Grain Management Soecial Account FY 1961
 (In millions of Hwan)

| <u>Revenue</u> | |
|------------------------|---------------|
| Total | <u>49,239</u> |
| Grain Sales | 48,289 |
| Miscellaneous Revenues | 608 |
| Loan Receipts | 342 |
| <u>Expenditure</u> | |
| Total | <u>49,228</u> |
| Grain Purchase | 35,924 |
| Handling Charges | 9,770 |
| Other Expenses | 1,646* |
| Debt Expense | 880 |
| Contingency | 1,008 |

* Excludes Hwan 10,837 million transferred to Pension Account.

Table 15
 Republic of Korea
Ministry of Transportation Special Account
FY 1961
 (In millions of Hwan)

| <u>Revenue</u> | |
|-------------------------------------|---------------|
| Total | <u>60,335</u> |
| Railway Receipts | 58,354 |
| Hotel Receipts | 1,860 |
| Administrative Receipts | 121 |
| <u>Expenditure</u> | |
| Total | <u>60,120</u> |
| Railway Operations | 49,080 |
| Railway Maintenance and Development | 8,185 |
| Hotel Operation | 1,604 |
| Administration | 807 |
| Loan Repayment | 385 |
| Contract Expenses | 34 |
| Contingency | 25* |

* Excluding Hwan 215.2 million transferred to Pension Account.

Table 16
 Republic of Korea
Ministry of Communications Special Account FY 1961
 (In millions of Hwan)

| <u>Revenue</u> | |
|----------------------------------|----------------|
| Total | <u>27,669*</u> |
| Postal Receipts | 7,371 |
| Telephone and Telegraph Receipts | 20,076 |
| Other Receipts | 222 |
| <u>Expenditure</u> | |
| Total | <u>32,189</u> |
| Postal Operations | 6,770 |
| Telecommunications Operations | 19,938 |
| Management and Administration | 5,097 |
| Loan Repayments | 161 |
| Contingency | 223** |

* Excluding overdraft of Hwan 1.13 billion and DLF Loan valued at Hwan 3.5 billion.

** Excluding Hwan 110 million transferred to Pension Account.

Table 17
Republic of Korea

Government Foreign Exchange Control Account FY 1961

(In millions of Hwan)

| <u>Revenue</u> | |
|---|---------------|
| Total | <u>18,288</u> |
| Foreign Exchange Sales | 17,587 |
| Settlement of Bank Guarantees | 454 |
| Repayment in Hwan of Dollar Loan | 66 |
| Carryover from Previous FY (Economic Coordination Account) | 181 |
| <u>Expenditure</u> | |
| Total | <u>18,288</u> |
| Purchase of Foreign Exchange | 17,587 |
| Administrative Expense | 6 |
| Court Expense | 1 |
| Repayment of Erroneous Payments | 13 |
| Interest on Borrowings | 10 |
| Contingency | 671 |

Table 18
Republic of Korea

Medium and Small-Scale Industries Encouragement
Fund Special Account FY 1961

(In millions of Hwan)

| <u>Revenue</u> | |
|-----------------------------|---------------|
| Total | <u>10,000</u> |
| General Account Penalty Tax | 7,000 |
| Fines | 3,000 |
| <u>Expenditure</u> | |
| Total | <u>10,000</u> |
| Loans | 10,000 |

Table 19
Republic of Korea

Vested Property Special Account FY 1961

(In millions of Hwan)

| | <u>Revenue</u> |
|------------------------|----------------|
| Total | <u>9,461</u> |
| Vested Property | 8,467 |
| Government Property | 7 |
| Miscellaneous Revenues | 987 |

| | <u>Expenditure</u> |
|----------------------------|--------------------|
| Total | <u>9,458</u> |
| Salaries | 177 |
| Maintenance | 91 |
| Claims Clearance | 44 |
| Property Disposal Expenses | 138 |
| Collection Expense | 201 |
| Agents Commission | 203 |
| Other Expenses | 444 |
| Loans | 7,700 |
| Contingency | 460* |

* Excluding Hwan 3.1 million transferred to Pension Account.

Table 20

Republic of Korea

Office of Supply Special Account FY 1961

(In millions of Hwan)

| | <u>Revenue</u> | |
|--------------------------------|--------------------|----------------|
| Total | | <u>6,242*</u> |
| Commodity Handling | 4,447 | |
| Procurement Handling | 1,255 | |
| Ocean Freight Abroad | 300 | |
| Sales of Government Property | 10 | |
| Miscellaneous | 230 | |
| | | |
| | <u>Expenditure</u> | |
| Total | | <u>7,729**</u> |
| Main Office Expenses | 210 | |
| Local Office Expenses | 226 | |
| Overseas Procurement Officials | 68 | |
| Commodity Handling | 4,917 | |
| Procurement Expenses | 631 | |
| Ocean Freight | 300 | |
| Miscellaneous | 418 | |
| Debts | 10 | |
| Contingency | 899 | |

* Excluding transfer of Hwan 1.5 billion from Counterpart Deposit Account.

** Excluding Hwan 5.3 million transferred to Pension Account.

Table 21
Republic of Korea

Government Employees Pension Special Account FY 1961

(In millions of Hwan)

| <u>Revenue</u> | |
|---------------------------------------|--------------|
| Total (excluding transfers) | <u>6,406</u> |
| Employees Contributions | 4,832 |
| Government Contributions | 2,944* |
| Interest Income | 307 |
| Transfers from Other Special Accounts | 160 |
| <u>Expenditure</u> | |
| Total | <u>8,243</u> |
| Pension Payments | 2,573 |
| Reserve | 5,510 |
| General Administrative Expenses | 152 |
| Reserve | 8 |

* Includes transfers from General Account of Hwan 1,676.2 billion.

Table 22
Republic of Korea

Land Reform Special Account FY 1961

(In millions of Hwan)

| <u>Revenue</u> | |
|--|--------------|
| Total | <u>2,801</u> |
| Farmland Compensation | 2,512 |
| Receipts from Government Property | 65 |
| Remuneration for Land Formerly in North Korea | 175 |
| Miscellaneous | 49 |
| <u>Expenditure</u> | |
| Total | <u>2,797</u> |
| Land Reform Operations | 949 |
| Expenses for Settlement of Claims | 76 |
| Adjustment of Land Registries | 553 |
| Farmland Compensation | 474 |
| Expenses on Former North Korean Territory | 153 |
| Miscellaneous | 12 |
| Contingency | 579* |

* Excluding Hwan 4.3 million transferred to Pension Account.

Table 23
Republic of Korea

Former Imperial Estate Special Account
FY 1961

(In millions of Hwan)

| <u>Revenue</u> | |
|---|------------|
| Total | <u>709</u> |
| Receipts from Admissions | 352 |
| Revenue from Sales of Government Property | 104 |
| Rent from Government Property | 248 |
| Interest | 5 |
| <u>Expenditure</u> | |
| Total | <u>707</u> |
| Administrative Expenses | 121 |
| Project Expense | 527 |
| Allowance for Imperial Household | 20 |
| Government Employees Pensions | 2 |
| Reserve | 11 |
| Contingency | 26* |

* Excluding Hwan 1.5 million transferred to Pension Account.

Table 24
Republic of Korea

Postal Life Insurance and Annuities Special Account
FY 1961

(In millions of Hwan)

| <u>Revenue</u> | |
|-----------------------|------------|
| Total | <u>522</u> |
| Insurance Fees | 408 |
| Interest Income | 110 |
| Other | 4 |
| <u>Expenditure</u> | |
| Total | <u>521</u> |
| Office Expense | 34 |
| Management Expense | 38 |
| Post Office | 39 |
| Miscellaneous Expense | 59 |
| Remunerations | 72 |
| Reserves | 213 |
| Contingency | 64 |
| Other | 2* |

* Excluding Hwan 1.0 million transferred to Pension Account.

Table 25
Republic of Korea

FY 1961 First Supplementary Budget Outline

(In billions of won)

Net Addition

I. Revenue

| | |
|--------------------------------------|--------------|
| A. General Account | 17.2 |
| 1. Income Tax | 0.4 |
| 2. Special Estate Tax | 0.5 |
| 3. Increase, Commodity Tax | 3.4 |
| 4. Increase, Customs Duties (new) | 3.7 |
| 5. Special Customs Duties (new) | 0.5 |
| 6. Decrease, Admissions Tax | -0.5 |
| 7. Travel Tax | 0.2 |
| 8. BOK Profit | 1.7 |
| 9. Korea Industrial Bank Liquidation | 0.7 |
| 10. Various Profits | 6.5 |
| 11. Others | 0.1 |
| B. Industrial Reconstruction Bonds | 13.6 |
| C. Counterpart Fund (Cash) | 52.0 |
| D. Counterpart Acquisition Costs | 1.3 |
| E. PL 430 (Title II) (in kind) | 13.0 |
| <u>Total Revenues</u> | <u>104.1</u> |

II. Expenditure

| | |
|--|--------------|
| A. National Construction Service | 40.0 |
| B. National Security Expenditures | 3.7 |
| 1. Police Expenditures | 2.5 |
| 2. Overseas Propaganda | 1.2 |
| C. Civil Servant Pay Raise | 0.2 |
| D. Power Development | 13.1 |
| E. Naju Fertilizer Plant | 3.5 |
| F. Others | 24.1 |
| 1. Fertilizer Subsidy (direct) | 7.1 |
| 2. Subsidy to Exchange Grain for Fertilizer (Administrative Expenses) | 0.9 |
| 3. Railroad Fare Raise | 0.3 |
| 4. Additional Deposit on PL 420 | 1.6 |
| 5. Foreign Exchange Expenditures | 2.4 |
| 6. Barley Subsidy | 2.6 |
| 7. Interest on Industrial Bonds | 0.5 |
| 8. University Facilities | 0.7 |
| 9. Establishment of New Organizations | 1.3 |
| 10. National Defense (Purchase of Raw Cotton) | 0.7 |
| 11. National Defense Pay Raise | 1.0 |
| 12. Foreign Obligations | 1.0 |
| 13. Fund for Purchase of Foreign Exchange | 0.5 |
| 14. Reserves | 2.3 |
| 15. Others | 1.2 |
| G. KIB Operating Fund | 0.0 |
| H. Capital for Small Industry Bank | 1.0 |
| I. Export Subsidy | 1.0 |
| J. Net Increase for U.K.A. Projects | 1.0 |
| K. Acquisition Costs | 1.3 |
| L. Diverted from Regular Budget | -7.8 |
| <u>Total Expenditures</u> | <u>104.1</u> |